Email: info@hei.com.na
Website: www.hei.com.na
Tell: +264-61-307-728
Address: 04 Stauch Street, Klein Windhoek, Windhoek, Namibia

GDP Q1 2026

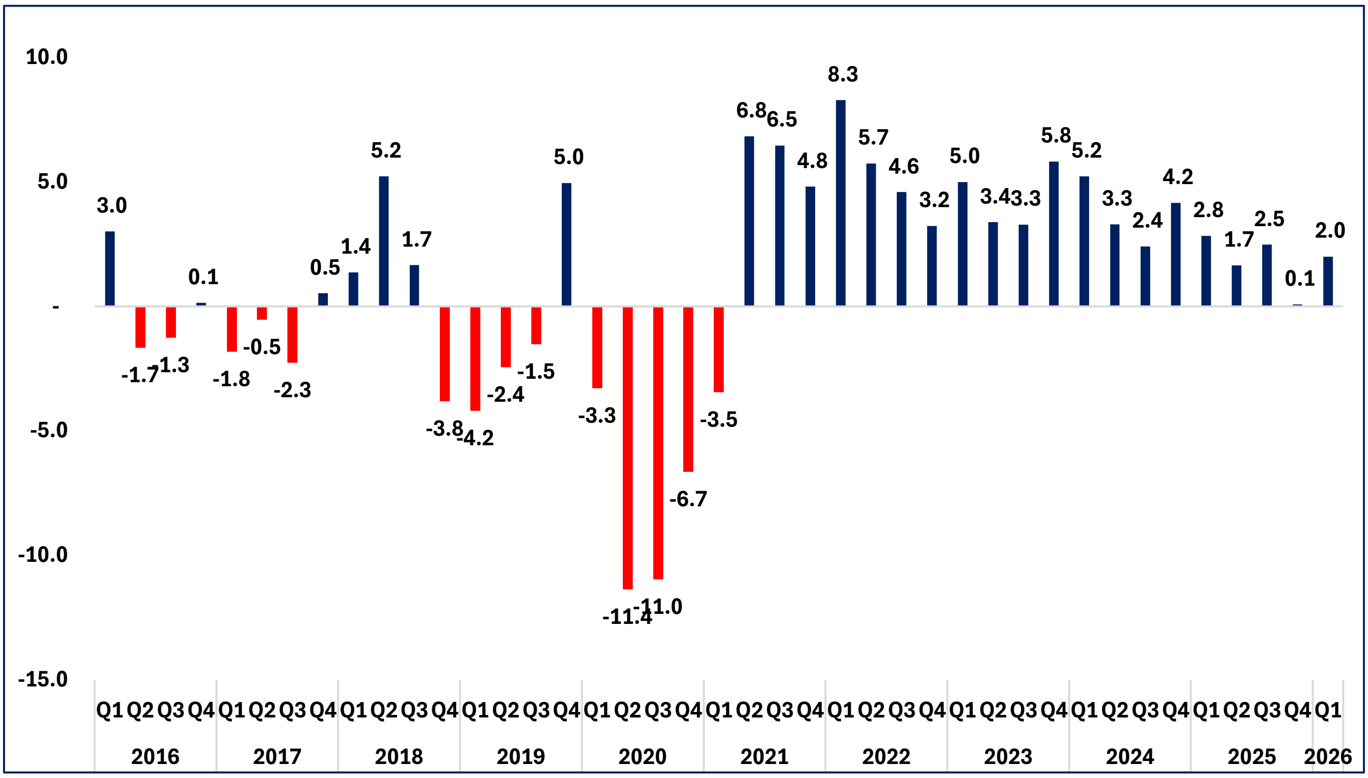
Quarter 1 2026

OVERVIEW

Namibia's economic growth experienced a structural deceleration during the first quarter of 2026, with Real GDP expanding by 2.0%. This represents a slowdown from the revised 2.8% growth recorded in the corresponding quarter of 2025. In nominal terms, the size of the economy increased by 7.1% year-on-year to N$70.9 billion, up from N$66.2 billion in Q1 2025.

The quarter was defined by sharp economic divergence. Growth was anchored almost entirely by the Tertiary industries (services), alongside a rebound in the Agriculture sector. Conversely, significant contractions in Mining and Manufacturing weighed heavily on overall output, reflecting a vulnerable domestic production base amid shifting global commodity dynamics.

Figure 1: Real GDP Growth Rates (2016Q1 - 2026Q1)



Source: NSA

SECTORAL PERFORMANCE ANALYSIS

Primary Industries: Mining Headwinds Vs. Agricultural Recovery

The Primary industries contracted by **5.7%** overall, heavily dragged down by a downturn in extractive industries, though partially cushioned by an exceptional turnaround in farming.

- **Mining and Quarrying (-12.2% vs -1.5% in Q1 2025):** The primary drag emerged from diamond mining and gold, which faced reduced output volumes. Global luxury market adjustments and structural shifts, such as competition from lab-grown diamonds, continue to impact local diamond production.
- **Agriculture and Forestry (+12.1% vs -17.7% in Q1 2025):** Major reversal from the severe 17.7% contraction in Q1 2025, the agricultural sector emerged as a vital economic cushion. This growth was spearheaded by a 40.1% surge in crop farming (primarily cereal production) alongside steady livestock marketing activities.

Secondary Industries: Manufacturing Contraction And Energy Shifts

Secondary industries contracted by **3.1%** overall, driven by structural vulnerabilities within domestic processing and changes in the energy mix.

- **Manufacturing (-5.9% vs -1.2% in Q1 2025):** The sector experienced extreme divergence among subsectors:
  - *The Drags:* The manufacture of basic metals plummeted by 87.9%, and diamond cutting and polishing dropped by 35.7%.
  - *The Boosts:* Conversely, agro-processing showed strong resilience, with leather products surging by 58.6% and meat processing expanding by 31.6%.
- **Electricity and Water:** Domestic electricity generation (own production) dropped sharply by 15.3%. To meet a 2.8% rise in local electricity sales, Namibia significantly scaled up its electricity imports, which rose to 729.2 million KWH during the quarter.

Tertiary Industries: The Engine Of Growth

The Tertiary sector expanded by a robust **5.1%**, solidifying its role as the primary driver of the domestic economy.

- **Wholesale and Retail Trade (+9.3% vs 7.5% in Q1 2025):** Remained highly resilient, driven by sustained domestic demand for consumer staples and regional trade flows.
- **Financial Services (+7.2% vs 1.6% Q1 2025):** Growth was supported by an uptick in private sector credit extension and a well-capitalized banking environment.
- Alongside positive contributions from **Health (6.4% vs 12.1% in Q1 2025), Education (4.6% vs 4.7% in Q1 2025), and Public Administration (3.7% vs 4.3% in Q1 2025).**

Expenditure On GDP: Demand-Side Dynamics

The demand-side data mirrors the supply-side slowdown, highlighting a transition toward investment-led activity amid widening external trade imbalances.

- **Consumption Dynamics:** Both private and government consumption expenditure experienced a marked slowdown compared to the previous year, signaling more cautious consumer behavior and ongoing fiscal consolidation efforts.
- **Gross Fixed Capital Formation (22.3% vs 22.5% in Q1 2025):** Investment activity provided a positive demand-side signal, rebounding by 3.4%. This was driven by capital outlays in transport infrastructure, machinery, and renewable energy integrations.
- **Trade Balance:** The trade deficit expanded during the quarter. A drop in high-value export volumes (diamonds and gold) combined with a rising import bill exacerbated by the need for increased electricity imports widened the gap between exports and imports.

OUTLOOK

The Q1 2026 growth figures underscore the critical importance of economic diversification. While the resilient tertiary sector and a strong recovery in agriculture prevented a broader contraction, the severe volatility within mining subsectors and manufacturing highlights Namibia’s acute vulnerability to external shocks. To build resilient, long-term real GDP growth, strategic focus must shift toward capitalizing on the uranium boom, stabilizing domestic energy generation to reduce reliance on imports, and expanding domestic value-addition through thriving subsectors like meat and leather processing.

Economic activity in the near term is expected to maintain moderate momentum, supported by sustained domestic consumer demand, a resilient tertiary sector, and supportive government expenditure. Crucially, the recovery in Gross Fixed Capital Formation signals improving productive capacity and infrastructure development. Continued investment in machinery, transport equipment, and construction will act as a key growth catalyst to support these medium-term prospects.

Despite these positive demand-side drivers, significant structural headwinds threaten the outlook. Overall growth remains heavily constrained by the ongoing slump in the mining sector specifically lower diamond and gold production alongside climate-related pressures that threaten primary sector stability. Furthermore, sluggish performance across key manufacturing subsectors continues to limit local value addition and export potential.

On the global front, downside risks are amplified by fluctuations in international commodity prices and weaker external demand for Namibia's core mineral exports. Additionally, higher global oil prices present a major external risk because petroleum products are among Namibia’s largest import categories. Coupled with intensified reliance on regional energy imports due to lower domestic electricity production, sustained high fuel costs will elevate the import bill, widen the trade deficit, and push up production and transport costs across all economic sectors.