NAMIBIA

Table 1	2023
Population, million[a]	2.6
GDP, current US$ billion	12.4
GDP per capita, current US$	4740.3
International poverty rate ($2.15)[b]	15.6
Lower middle-income poverty rate ($3.65)[b]	33.3
Upper middle-income poverty rate ($6.85)[b]	57.3
Gini index[b]	59.1
School enrollment, primary (% gross)[c]	133.0
Life expectancy at birth, years[c]	59.3
Total GHG emissions (mtCO2e)	25.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Latest official estimates. Preliminary results from the 2023 census suggest a population of 3.0 million vs the 2.6 million used here.
b/ Most recent value (2015), 2017 PPPs.
c/ WDI for School enrollment (2022); Life expectancy (2021).

Namibia's economy grew by 4.2 percent in 2023. GDP growth is expected to remain above 3 percent over the medium term, subject to high uncertainty around the possible implementation of large-scale energy projects. Fiscal policy over the medium term is expected to be centered around maintaining primary budget surpluses to support the stabilization of the public debt ratio. Poverty (at the $2.15 line) is expected to improve but remain high at 17.2 percent in 2024.

Key conditions and challenges

Since 1990, Namibia has made significant progress on economic and social indicators. Over the two decades to 2015, GDP growth averaged 4.5 percent, supported by sound macroeconomic policies and the commodity super cycle, which spurred mining investment. The country attained middle-income status in 2009, and the poverty rate declined. Natural resource revenues allowed for an increase in public spending, including on social programs to support households, and on increased access to public services, including education and health. Despite this progress, many social indicators continue to lag peers, and there are significant spatial and gender disparities. Although demand for services has markedly increased, job creation outside the extractive sectors has been insufficient. Consequently, unemployment has remained stubbornly high, exacerbated by skills shortages. Most of the working population is engaged in low-skilled work in the informal sector. The country remains among the most unequal in the world (Gini index at 59.1 in 2015).

The immediate years leading up to the COVID-19 pandemic in 2020 were marked by a recession, driven by the end of the commodity cycle, the completion of major investment projects, a severe drought, and fiscal consolidation. This underscored the need for a structural shift from the current growth model based on extractives and a large state presence in the economy, which limits competition, export diversification, and creates inefficiencies.

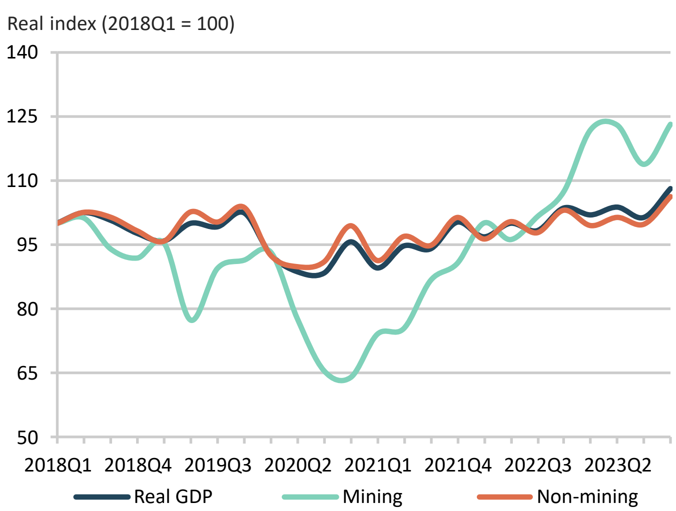
While the public sector continues to face fiscal constraints, given high public debt levels, there are opportunities to improve spending efficiency. Recent developments in the mineral and energy sector provide Namibia with opportunities to develop new drivers of growth and employment through economic diversification and value chain development. The realization of these opportunities hinges on structural reforms that reduce the costs of doing business and promote international trade and investment.

Recent developments

Namibia's recent economic performance was stronger than expected. The economy grew by 4.2 percent in 2023, driven by the mining sector, including investments in oil exploration. The expansion was also generated by sustained growth in private consumption. The economy has recovered its pre-pandemic level, but many key sectors, including job-rich construction and financial services, continue to lag. Due to stronger GDP growth in both 2022 and 2023, poverty is estimated to have improved but remains high at 17.8 percent based on the US$2.15 per day international poverty line (IPL; 2017 PPP).

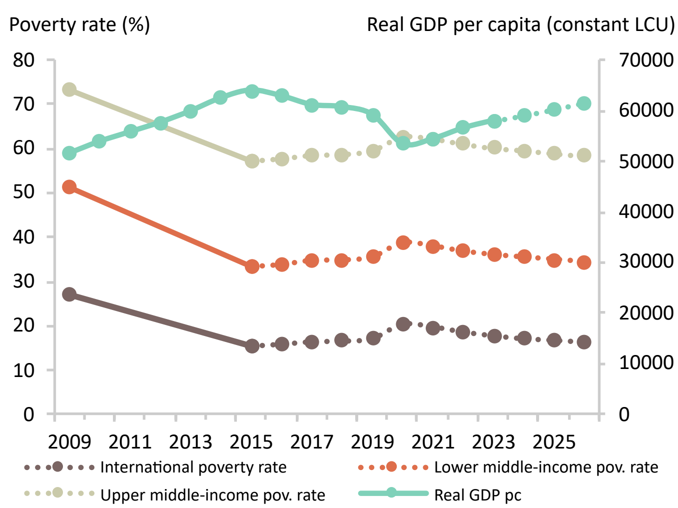
Investments in the extractive industries has shaped not only Namibia's recent growth trajectory but also the balance of

FIGURE 1 Namibia / Mining activity and real GDP growth



Sources: National Statistics Agency and World Bank staff estimates.

FIGURE 2 Namibia / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

payments. Despite strong export growth, the current account deficit remained large in 2023 as services imports rose sharply. The wide current account deficit was sufficiently financed by rising foreign direct investment inflows. To facilitate the development of a large-scale green hydrogen industry, the government is developing a roadmap for the sector that aims to allow the domestic economy to benefit from the development of related value chains.

The overall fiscal deficit balance improved from 5.2 percent to 3.7 percent of GDP between 2022 and 2023 due to the GDP recovery and the significant rebound in SACU revenues, which increased by 72 percent. These additional revenues were largely absorbed into higher expenditure commitments, including higher interest payments, drought relief, and one-off costs related to the population census.

Monetary policy remained restrictive, broadly in line with the stance of the South African Reserve Bank. Credit growth remains subdued, and the current stance helped to curb headline inflation, which decreased to 5.3 percent in December 2023.

Outlook

Namibia's economic growth is projected to moderate to about 3-3.8 percent per year over 2024-26. This projection is subject to high uncertainty as the economy could be impacted by the speed of implementation of several large-scale projects in the energy and mining sectors. If these projects move into the construction phase during this period, the growth rate of the economy could substantially accelerate through a combination of foreign direct investment inflows and spillovers to the local economy. Growth in the non-mineral economy is expected to gain traction, especially in sectors that have been severely set back by the pandemic, including tourism. Household consumption growth is expected to strengthen, benefiting from improved income growth and lower inflation, which is projected to reduce to 5.0 percent in 2024. The poverty rate under the IPL is projected to decrease to 17.2 percent in 2024.

After the stimulus, driven by the increase in SACU revenue in FY2023/24, budget expenditure growth is expected to slow in the medium term. However, fiscal consolidation is expected to be slower than budgeted for in the medium term, impacted by increased expenditure commitments and lower SACU revenues from 2025. The large public sector wage bill is expected to continue to constrain fiscal space. Given high debt levels and high-interest payment costs, fiscal policy should remain prudent to ensure a sustained decline in the debt-to-GDP ratio over the medium term. The budget plan to retire two-thirds of the US$750 million Eurobond maturity in October 2025, using accumulated savings from the sinking fund, should support a faster reduction in the debt-to-GDP ratio.

Namibia's economic outlook is favorable, but there are significant downside risks on the horizon. Dependent on the attainment of final investment decisions, Namibia's economy could experience a sizable investment boost in the mining and energy sectors over the coming years, which would redefine its growth trajectory. However, the recovery faces major downside risks from global geopolitical tensions, which could undermine global economic activity, and climate shocks.

TABLE 2 Namibia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.6	5.3	4.2	3.4	3.6	3.8
Private consumption	14.6	9.5	4.7	4.8	5.2	5.3
Government consumption	1.3	0.6	1.0	1.3	0.7	0.6
Gross fixed capital investment	18.0	10.0	69.3	8.3	9.6	9.6
Exports, goods and services	-2.1	22.9	14.1	4.1	4.4	4.7
Imports, goods and services	20.2	23.0	22.7	6.1	6.8	6.8
Real GDP growth, at constant factor prices	1.5	4.6	4.0	3.4	3.6	3.8
Agriculture	1.6	1.7	-3.4	0.5	2.0	2.0
Industry	0.5	11.3	9.2	6.6	6.7	6.9
Services	1.9	2.2	2.7	2.2	2.2	2.3
Inflation (consumer price index)	3.6	6.1	5.9	5.0	4.7	4.6
Current account balance (% of GDP)	-11.2	-12.9	-11.1	-10.4	-10.2	-9.9
Net foreign direct investment inflow (% of GDP)	6.7	8.4	17.9	9.4	9.4	9.4
Fiscal balance (% of GDP)	-8.5	-5.2	-3.7	-3.9	-4.6	-4.3
Revenues (% of GDP)	29.9	30.9	33.2	32.4	29.1	28.4
Debt (% of GDP)[a]	73.1	72.8	70.2	67.9	66.7	64.9
Primary balance (% of GDP)	-4.2	-0.7	1.4	1.0	0.1	0.4
International poverty rate ($2.15 in 2017 PPP)[b,c]	19.7	18.3	17.3	17.0	16.5	16.1
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	38.0	36.6	35.6	35.1	34.7	33.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	62.3	60.8	59.7	59.2	58.6	58.0
GHG emissions growth (mtCO2e)	0.5	2.1	1.1	2.4	3.2	3.4
Energy related GHG emissions (% of total)	14.9	15.1	15.8	15.9	16.2	16.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Refers to Public and Publicly Guaranteed debt.
b/ Calculations based on 2015-NHIES. Actual data: 2015. Nowcast: 2016-2023. Forecasts are from 2024 to 2026.
c/ Projection using neutral distribution (2015) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.