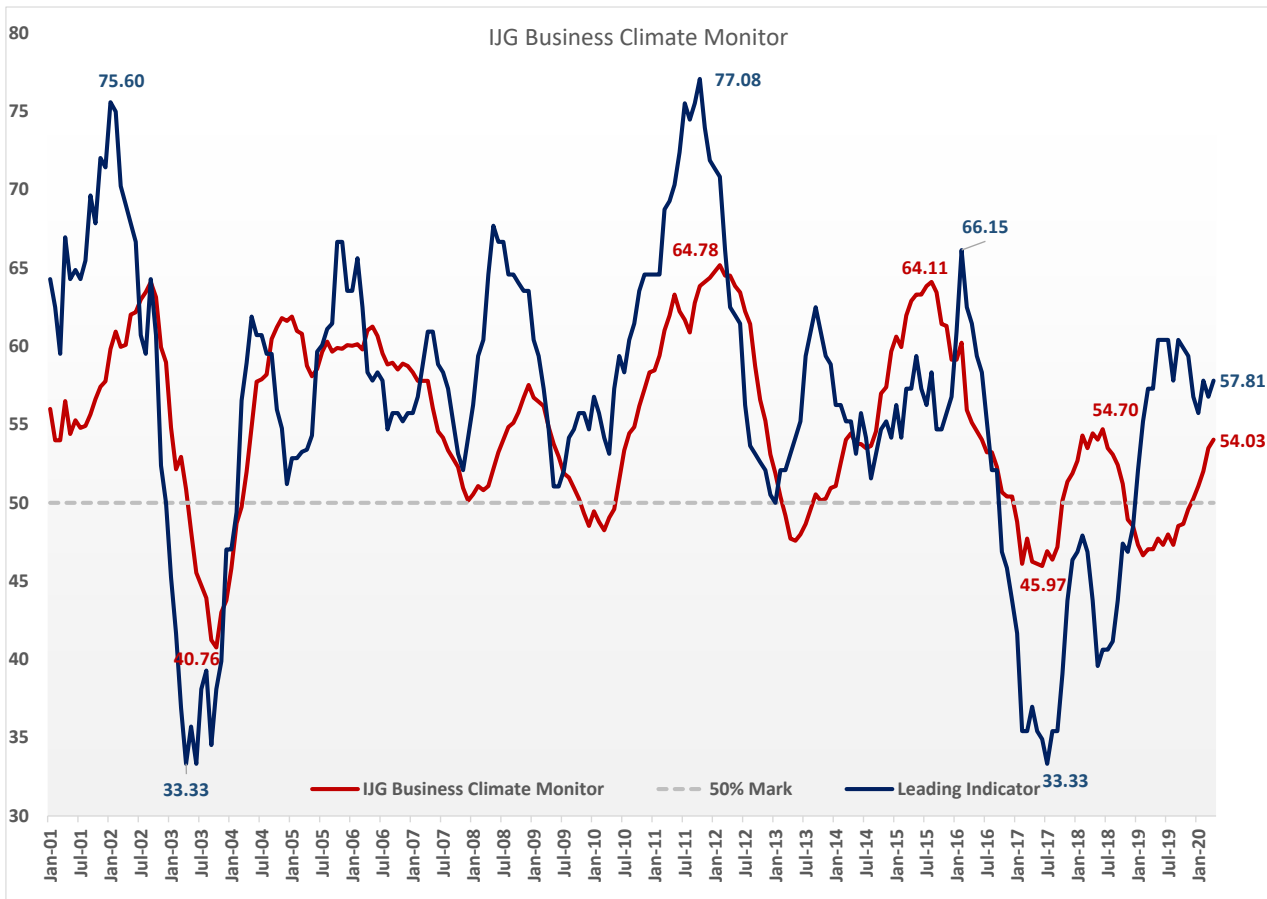




BUSINESS CLIMATE MONITOR APRIL-20

Produced by Institute for Public Policy Research



The **IJG Business Climate Monitor** (BCM) continued to rise in April 2020 although at a slower pace to the highest level since June 2018. It climbed to 54.03 points from 53.49 points in March. The Leading Indicator continued its back and forth trend and increased to 57.81 from 56.77. The BCM and Leading Indicators continued their upward trends despite the global, regional and national lockdowns, closed borders and state of emergencies in many countries. This is due to the methodology applied and the indicators selected for calibrating the BCM and the Leading Indicator. Quite a number of indicators moved in a direction that should have been supportive to Namibia’s economic development had the halt of business activities in most other sectors and in most other economies not prevented it from materialising. Furthermore, the BCM and Leading Indicator are based on 12-month moving averages that smoothen peaks and troughs. The monthly values for both actually dropped, but remained in positive territory.

Agriculture is considered an essential sector and continued operating. However, only 16,536 heads of livestock were auctioned compared to 23,303 in March and prices dropped slightly for both beef and lamb. Copper output decreased for a fourth consecutive month to 1,203 tonnes, while gold production increased by almost 50% to 654 kg. Prices in US dollar for both commodities improved further and prices in the domestic currency received an additional boost from the continuing depreciation of the Namibia dollar against the US dollar. Trade disruptions, however, resulted in a slump of exports by 38% in April compared

to March to NAD5.6 billion. In contrast, imports declined by only 8% to NAD6.7bn. The tourism sector came to a standstill due to the closure of borders, but still 42 foreign visitors arrived at the international airport in Windhoek.

Owing to the lockdown, no building plans were completed or approved in Windhoek. However, a few vehicles were still sold: Nine passenger and 41 commercial vehicles compared to a total of 926 a year earlier. Credit extended to individuals and businesses showed a slight contraction to NAD58.7bn and NAD42.9bn respectively, which is 5.7% and 1.1% above levels in April 2019. Motorists, to the extent that they still used their vehicles, benefited from significant price declines for petrol and diesel by NAD1.70 per litre and NAD1.20 per litre respectively. The collapse of global oil prices by far outweighed the impact of the depreciation of the NAD against the USD as factors influencing the BCM. Good news for consumers was also the drop in the monthly and annual inflation rates to 0.2% and 2.1% respectively despite some substantial price increases for selected items. The pandemic and lockdown took its toll also on company registrations. Only 129 new Close Corporations, Companies and Defensive Names were registered in April 2020 compared to 1.156 in April 2019 and 1.133 in March 2020.

Note on methodology

The index encompasses 31 indicators, selected from available high-frequency data. These are split into five broad categories, namely: policy environment, primary sector output, secondary and tertiary output, external account, and pricing. Given the available high-frequency data, these categories provide the best available high-frequency insight into developments in the local economy and business cycle.

The raw data are adjusted and transformed for seasonality, inflation and exchange rate as appropriate. In addition, the data are adjusted to factor in whether higher or lower values are desirable (for example higher government spending is positive for the business climate, while higher interest rates are negative).

In order to develop a stationary indicator (i.e. not trending up or down) and to show dispersion from a mean value, the common PMI (Purchasing Managers' Index) approach has been slightly adjusted and utilised. This approach sees transformed indicators that are contracting over a 12-month period given a value of 0, while unchanged indicators are valued at 50 and expanding indicators valued at 100. The average value across the 31 indicators is then taken, with an overall value of over 50 implying expansion in the majority of indicators, while a value below 50 shows contraction in the majority of indicators. In addition to the level, the trend of the BCM line illustrates whether indicators are generally improving or deteriorating. A 12-period moving average is then used to smooth the indicator and ensure that short-term volatility or base effects do not provide a misleading view of the local business climate.

When compared to the historic business cycles, this approach gives a satisfactory high-frequency view of the state of the local business climate.

Indicators

Indicator	Higher Value Better	Transformation	Leading
Policy Environment			
Prime Rate	No	None	Yes
Monthly Government Spending (N\$)	Yes	Deflated	Yes
Primary Sector Output			
Livestock marketed (#)	Yes	Seasonal Adjustment	No

Copper Production (tons)	Yes	None	No
Gold Production (kg)	Yes	None	No
Diamond Production (000' carats)	Yes	None	No
Uranium Production (short tons)	Yes	None	No
Secondary and Tertiary Output			
Building Plans Completed (N\$)	Yes	Deflated, Seasonal Adjustment	No
Building Plans Approved (N\$)	Yes	Deflated, Seasonal Adjustment	Yes
Tourism Arrivals (#)	Yes	Seasonal Adjustment	No
Passenger Vehicle Sales (#)	Yes	Seasonal Adjustment	No
Commercial Vehicle Sales (#)	Yes	Seasonal Adjustment	No
Credit Extended to Individuals (N\$)	Yes	Deflated, Seasonal Adjustment	No
Credit Extended to Businesses (N\$)	Yes	Deflated, Seasonal Adjustment	Yes
CC Registrations (#)	Yes	Seasonal Adjustment	Yes
Company Registrations (#)	Yes	Seasonal Adjustment	Yes
Defensive Name Registrations (#)	Yes	Seasonal Adjustment	Yes
External Account			
Imports (N\$)	No	Deflated, Seasonal Adjustment	Yes
Exports (N\$)	Yes	Deflated, Seasonal Adjustment	No
EURZAR Exchange rate	Yes	None	Yes
USDZAR Currency Exchange rate	Yes	None	Yes
Prices			
Beef Price (N\$)	Yes	Deflated, Seasonal Adjustment	No
Lamb Price (N\$)	Yes	Deflated, Seasonal Adjustment	No
Copper Spot (N\$)	Yes	Converted to ZAR, Deflated	Yes
Gold Spot (N\$)	Yes	Converted to ZAR, Deflated	Yes
Diamond Rough Price (Index)	Yes	Converted to ZAR, Deflated	Yes
Uranium Spot (N\$)	Yes	Converted to ZAR, Deflated	Yes
Brent Crude Oil (N\$)	No	Converted to ZAR, Deflated	Yes
Petrol (95 Octane) (N\$)	No	Deflated	No
Diesel (500 ppm) (N\$)	No	Deflated	No
NCPI (Index)	No	Seasonal Adjustment	Yes

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