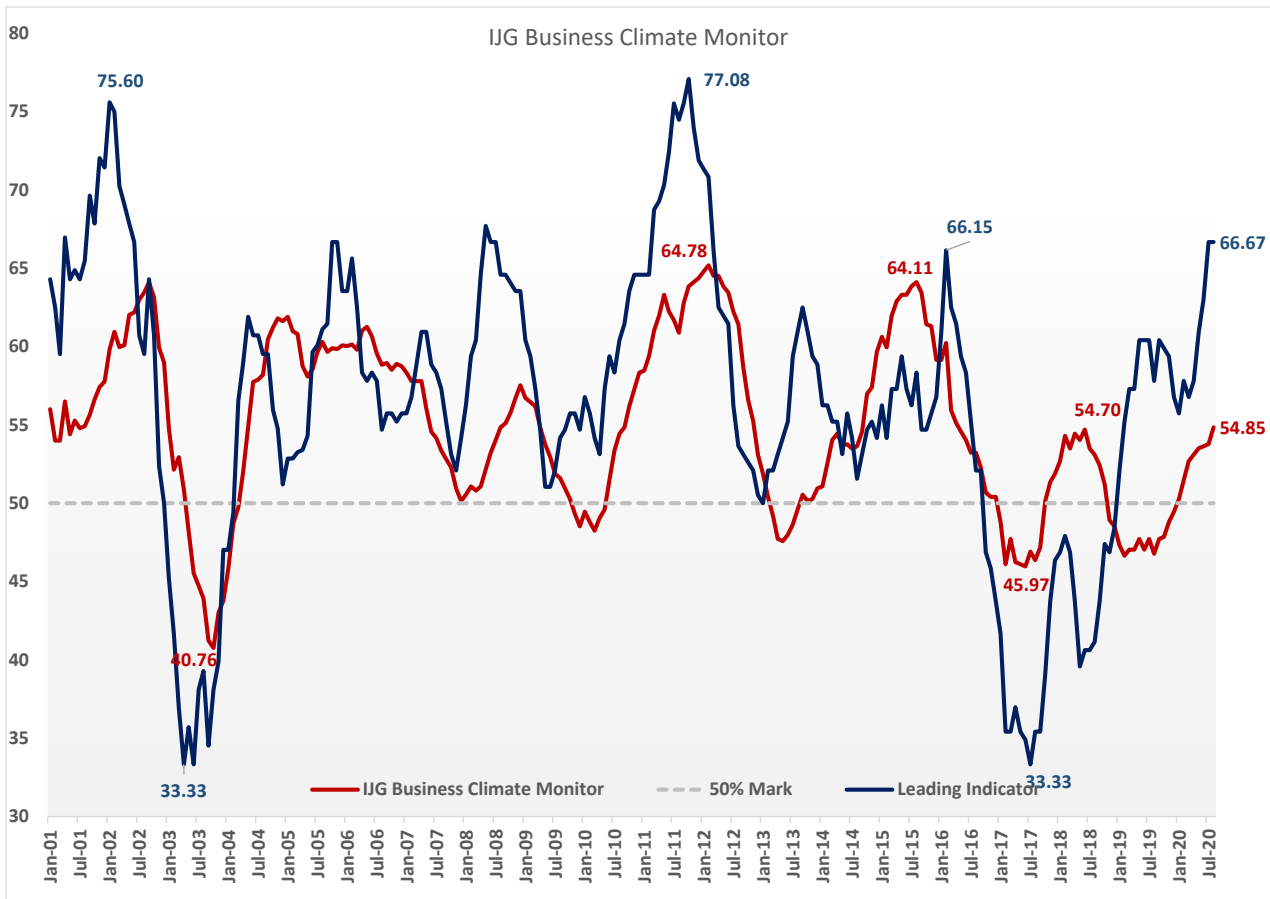




# BUSINESS CLIMATE MONITOR AUGUST-20

Produced by Institute for Public Policy Research



The **I/JG Business Climate Monitor** (BCM) increased from 53.8 in July to 54.8 in August 2020, while the Leading Indicator remained unchanged at 66.7. 16 of the 31 indicators showed an improvement during August, but the value of 15 indicators deteriorated.

After a continuous upward trend since April 2020, the number of livestock marketed declined by more than 5,000 to 21,179 in August, which is less than half of the number in August 2019 – 47,883. Total number of livestock marketed until August stood at 174,477 compared to 344,655 a year earlier. Despite the drop in numbers, both beef prices and lamb prices decreased compared to July 2020. Beef was selling on average at NAD41.09 per kg and lamb at NAD51.94 per kg. While average beef prices for the first eight months remained almost unchanged compared to 2019 – NAD43.92 per kg compared to NAD43.51 per kg – average lamb prices increased by almost 20% from NAD40.77 per kg to NAD46.84 per kg. The mining sector took a knock in August. Copper production declined from 774 tonnes a month earlier to 596, gold production from 542 kg to 441 kg and diamond output dropped by more than a quarter to 88,847 carat. Despite the lockdown, diamond production this year is only down by some 23,000 carats to 1,121,015 and copper production by some 1,100 tonnes to 8,910 tonnes. In contrast, gold output increased by 400kg to 4,291 kg.

International tourist arrivals at the HKIA continues to increase, but remains a fraction of arrivals in previous years. 644 tourists came to Namibia in August 2020 compared to 20,976 in August 2019. Overall, the

number of visitors arriving at HKIA so far this year dropped by 75% to 34,851, which poses severe challenges not only to the tourism industry, but also to our foreign exchange reserves. The trade deficit narrowed from NAD3.5 billion in July to NAD1.9 billion in August owing to a decline in the value of imports by NAD1.2 billion to NAD8.2 billion and a rise of exports by NAD0.5 billion to NAD6.3 billion. Overall, the imports decreased by 14.4% and exports by 12.8% over the first eight months 2020 compared to 2019.

The value of building plans completed in Windhoek increased by almost NAD70m to NAD395.0 million, but the value of building plans approved dropped by NAD30m to NAD111.9m. However, the value of building plans completed this year rose by 63% compared to last year in contrast to the approved plans which declined by 5%. Vehicle sales also remain subdued and came in lower at 593 in August compared to 666 in July. The number of passenger vehicles decreased by about 20 and of commercial vehicles by about 70. These figures are reflected in the amount of credit extended to individuals that dropped slightly to NAD59.1 billion, while the amount extended to businesses rose to NAD43.2 billion. Business registrations showed divergent trends. The number of new CCs rose, but the numbers of companies and defensive name registrations declined.

### 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
<b>Policy Environment</b>			
Prime Rate	No	None	Yes
Monthly Government Spending (N\$)	Yes	Deflated	Yes
<b>Primary Sector Output</b>			
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
<b>Secondary and Tertiary Output</b>			
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
<b>External Account</b>			
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
<b>Prices</b>			
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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