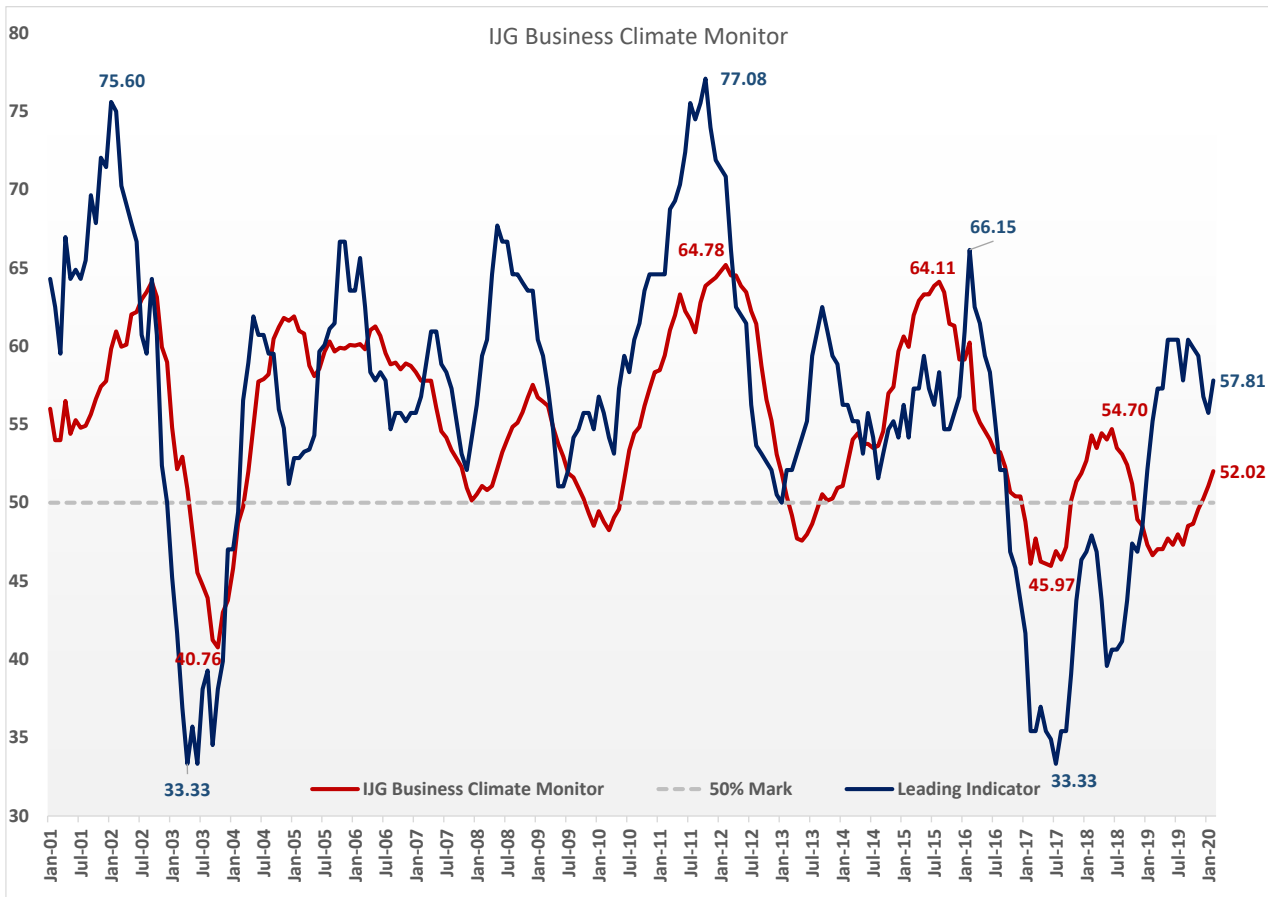




BUSINESS CLIMATE MONITOR FEBRUARY-20

Produced by Institute for Public Policy Research



The **IJG Business Climate Monitor** (BCM) continued its upward movement in February 2020 and remained above the 50-point mark for the third consecutive month. The BCM reached 52.0 points – a level last seen in September 2018. The Leading Indicator showed a similarly strong performance by reversing the drop experienced in January and rose to 57.8 points. The improvement in both indicators was the result of increasing values for 18 out of the 31 indicators, while the value of 13 indicators decreased.

As in previous years, the number of livestock marketed rose strongly from 15,492 in January to 25,450 in February resulting in a slight drop in prices for both beef and lamb. Beef prices decreased from NAD45.91 per kg to NAD45.53, while lamp prices averaged at NAD44.35 per kg compared to NAD45.16 per kg in January. In contrast, mineral production declined. Copper output of 1,339 tonnes was 11 percent lower, gold production even 26 percent below January’s level and hence falling below 500 kg, while diamond production dropped by 22 percent to some 158,000 carats. Spot market prices for these minerals were at least stable, if not higher though.

The value of building plans completed for Windhoek rose again in February following the end of the builders’ holiday which always has a dampening effect on the value of completed buildings during December and January. The value rose to NAD41.5 million, which exceeded the value in February 2019 of NAD34.4 million. Similarly, the value of building plans approved increased as well to NAD224.8 million – up

by almost NAD60m compared to January. However, the combined value for the first two months of 2020 remained below the value for the same period a year earlier. Vehicle sales moved up as well compared to January 2020 as well as to February 2019. A total of 799 vehicles were sold, mainly commercial vehicles. The amount of credit extended to the private sector showed some weakening and declined to NAD103.8 billion from NAD104.0 a month earlier. More demand for credit from individuals did not outweigh the drop in credit extended to businesses by more than NAD500m. Registrations of Close Corporations, Companies and Defensive Names all exceeded the previous month's figures.

Namibia's trade deficit widened in February since the value of imports grew by NAD1.2 billion to NAD8.8bn, while the value of exports deteriorated by NAD350 million to NAD5.3bn – the lowest value since September 2017. The trade gap was the highest since December 2018. The number of tourist arrivals continued to drop and ended the month at 13,080 – the lowest number since September 2016. The Namibia dollar depreciated further in February after gaining some ground during the last two months of 2019 and averaged at NAD17.27 and NAD15.66 against the Euro and US dollar respectively.

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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