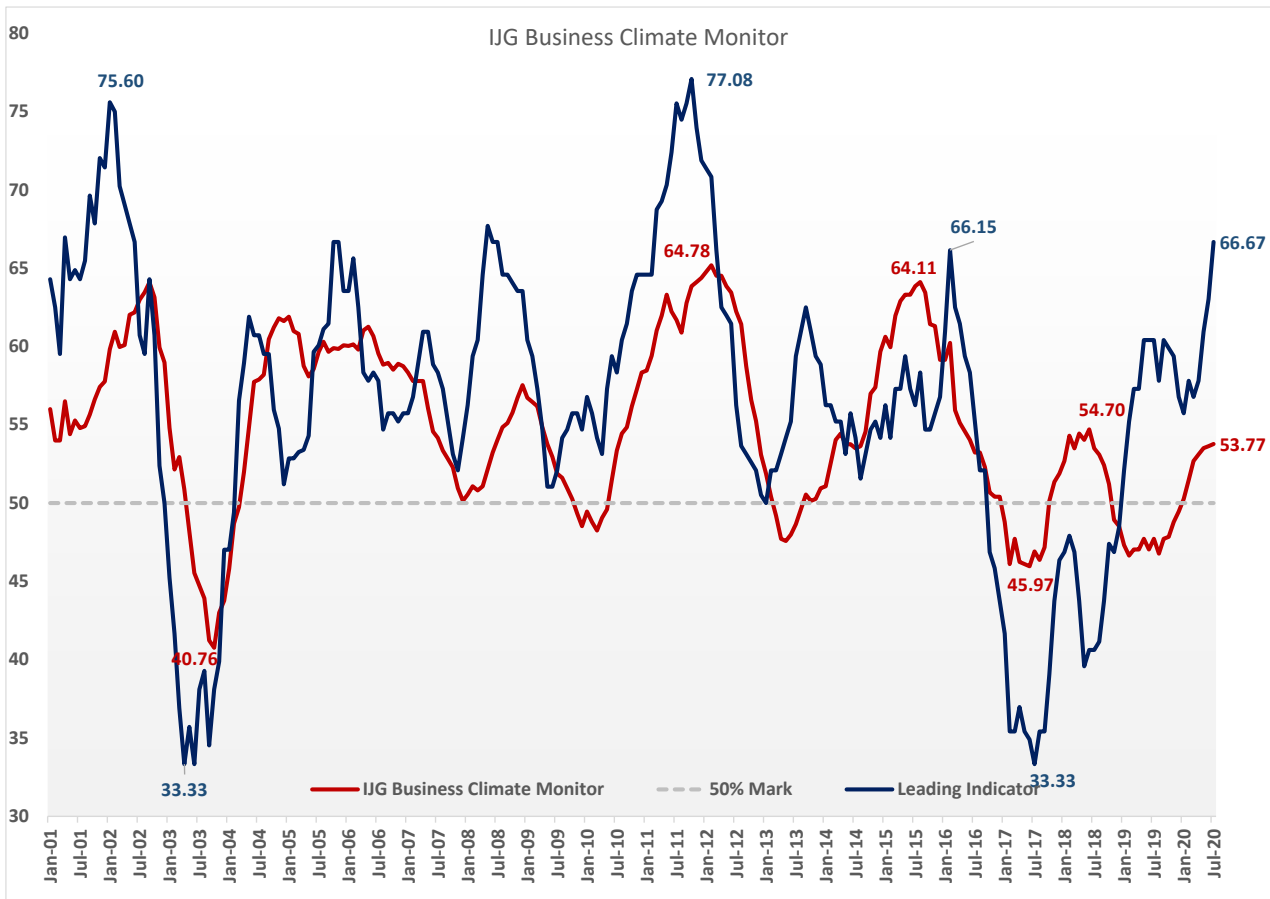




# BUSINESS CLIMATE MONITOR JULY-20

Produced by Institute for Public Policy Research



The *I/JG Business Climate Monitor* (BCM) continued its upward trend in July and rose slightly to 53.8 from 53.6 a month earlier. The Leading Indicator showed a strong improvement compared to last month and increased to 66.7 – up from 63.0. 17 out of the 31 indicators moved upward in July while 14 moved downward.

The number of livestock marketed in July rose to 26,847 which is the highest number since February 2020. Overall, the number of livestock marketed until July this year has declined by 48 percent compared to last year since farmers are restocking their herds after good rainfall at the beginning of 2020. The increased number of livestock marketed had a dampening effect on beef prices that declined to NAD42.15 per kg in July. In contrast, lamb prices increased to NAD52.51 from NAD46.00 per kg in June. In particular, lamb prices are above last year's average. Mineral production showed different trends. Copper production dropped to 774 tonnes – the lowest level since June 2000, when our records started. Diamond production decreased as well to almost half of May's production, namely 120,311 carats. Gold production, on the other hand, rose slightly to 542 kg from 523 kg in June. Overall, copper production is down this year compared to the same period in 2019, while gold and diamond production improved.

International arrivals at the Hosea Kutako International Airports increased to 545 from 202 in June. However, this is a small fraction of the 22,066 visitors in July 2019 and illustrates the immense challenges

the tourism industry is facing. Namibia's trade deficit increased substantially owing to an increase in the value of imports by almost 50 percent to NAD9.4 billion while exports decreased to NAD5.9 billion from NAD7.2 billion.

The value of building plans completed in Windhoek grew significantly to NAD328 million in July from NAD192 million in June and increased overall by 30 percent so far this year. In contrast, the value of building plans approved dropped in July and also slightly overall this year by three percent. Although the data is limited to Windhoek, the trend in approvals does not bode well for the construction sector. Other domestic indicators are also not very encouraging. Vehicle sales declined by 100 vehicles to 666 due to a decrease in the sales of passenger vehicles, while commercial vehicle sales increased. Credit extended to the private sector declined by almost NAD500 million to NAD102.2 billion. Business registrations, however, picked up in July in all three categories: Close Corporations, Defensive Name and Companies.

The Namibia dollar weakened slightly against the Euro, but appreciated against the USD. The latter benefitted domestic fuel prices that remained unchanged despite slightly higher global oil prices.

### 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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