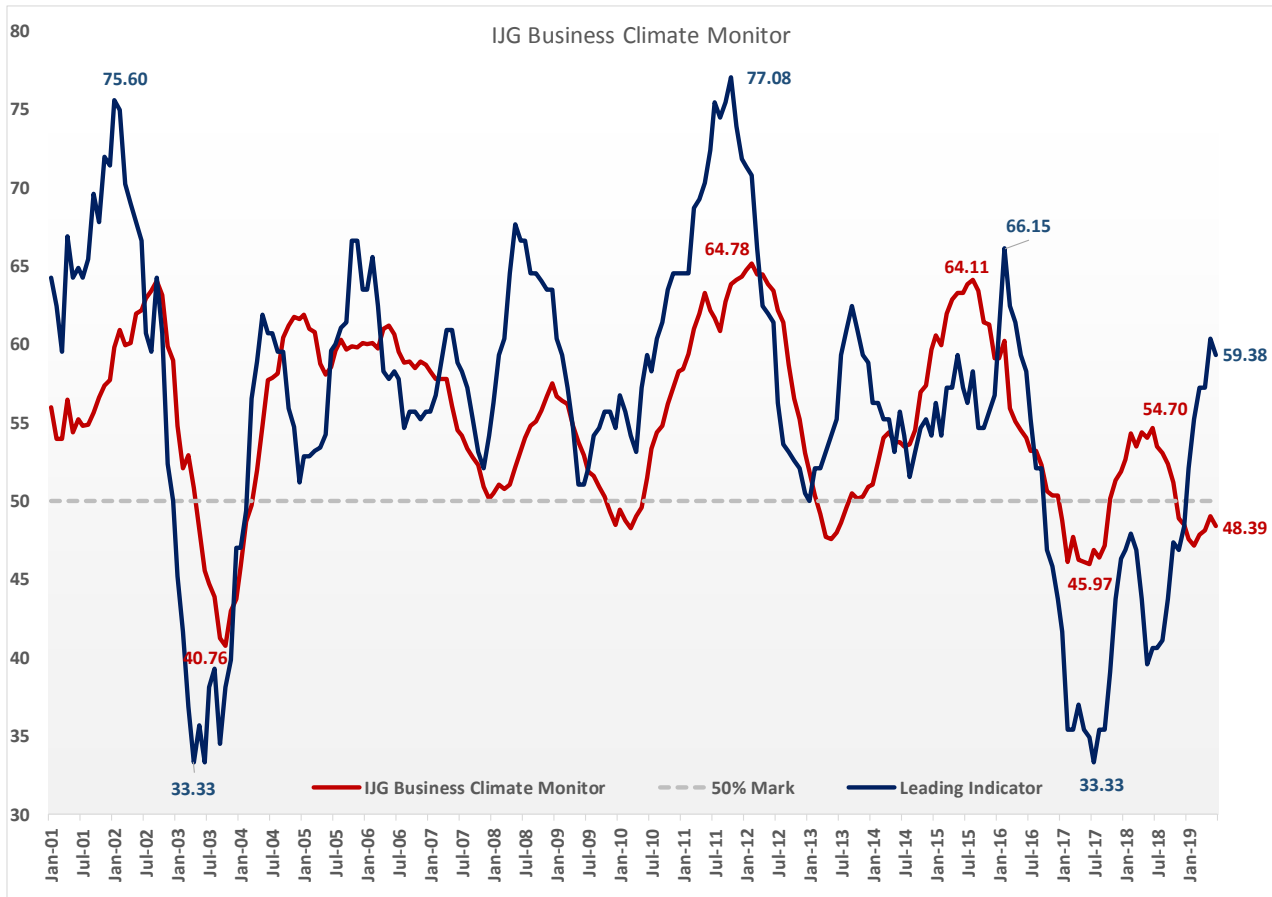




BUSINESS CLIMATE MONITOR JUNE-19

Produced by Institute for Public Policy Research



After some promising upward movements over the past couple of months, the **IJG Business Climate Monitor** deteriorated in June 2019. The Leading Indicator dropped by one point from 60.42 in May to 59.38 in June. It remains, however, comfortably above the 50-point mark. The IJG BCM declined by almost one point from 49.06 points in May to 48.39 in June - staying stubbornly below the 50-point mark as it has done for the last eight months. The movement of the 31 indicators used to compile the BCM was split this month: 15 moved upward and 15 downward with one remaining the same.

After the number of livestock marketed more than tripled from 17,304 in January to 59,020 in May, due to the severe drought in the country, the number dropped to 45,179 in June 2019. Beef prices weakened slightly to NAD43.83 per kg, while lamb prices rose by more than NAD5 to NAD38.39 per kg. Diamond production reversed the downward trend of previous months in contrast to other mineral production which remained more or less unchanged. The appreciation of the Namibia dollar against the USD and EUR resulted in slightly lower prices in local currency for copper and uranium, while gold prices showed some improvement.

The value of building plans completed in Windhoek showed further strong growth to NAD225.3 million. However, the value of building plans approved declined further to NAD60.5 million, which does not bode

well for the construction sector. The number of international tourist arrivals fell to the second lowest in the first six months of this year, which resulted in total arrivals for the first half of 2019 being lower than during the first half of 2018. The total number of vehicles sold dropped to 977, but the number of commercial vehicle sales rose to 599. This improvement was, however, countered by a decrease in credit extended to the business sector that declined to NAD40.4 billion from NAD41.0 billion. The number of business registrations also moved in opposite directions: the number of CCs registered fell slightly, while the number of companies and defensive names rose, reversing the trend of last month.

Overall, despite the robust improvement in the Leading Indicator, this was not strong enough to pull the IJJ BCM over the 50-point mark. The IJJ BCM indicates that the economy is still struggling to move out of negative territory.

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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