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The *IJG* Business Climate Monitor for April 2002

produced by the Institute for Public Policy Research

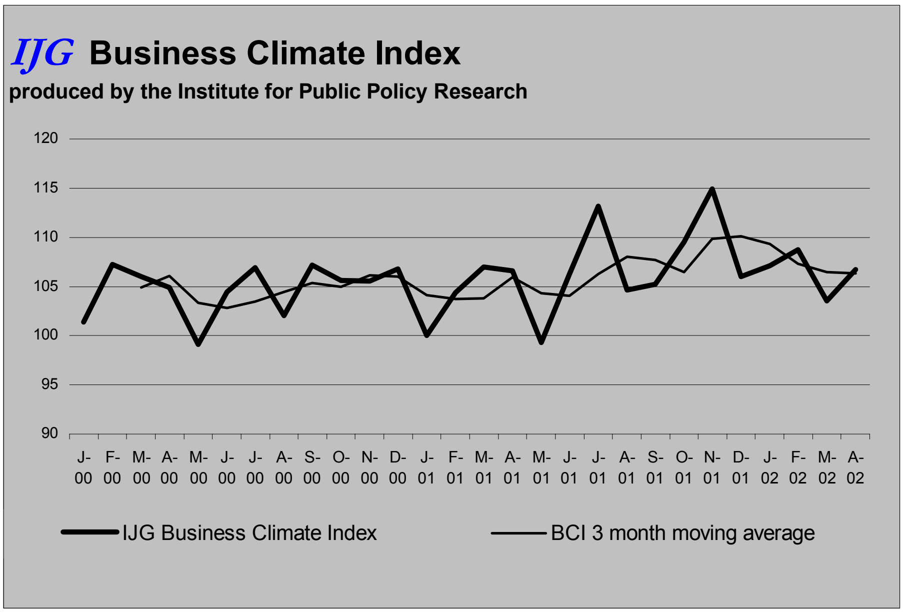
- **The Business Climate Index rose slightly between March and April suggesting a modest improvement in the overall business climate. This rise came about as a result of higher commercial vehicle sales and corporate registrations. New company registrations have generally been lower this year than the average for 2000 and 2001. The Investment Index and the Leading Indicator rose for the same reasons.**

- **The response rate to the Business Climate Survey from the Association of Namibian Manufacturers (ANM) was even worse than last month. A mere 7 ANM members returned the questionnaire.**

- **The Business Climate Survey suggests little has changed since last month. A significant majority of firms expect revenues to increase, to maintain or increase their workforces, and to invest in new plant and equipment and they view prevailing business conditions as positive.**

- **The IPPR's sectoral growth forecasts for 2001 differ greatly from the preliminary estimates presented by the Central Bureau of Statistics. These preliminary estimates, however, are likely to be substantially revised over time.**

April 2002 Business Climate Index



The ***Business Climate Index*** rose from 103.5 in March to 106.7 in April suggesting that the overall business climate has improved slightly after last month's deterioration. The 3-month moving average continues to be down. This month's improvement can be almost entirely attributed to stronger sales of commercial vehicles and a significant rise in registrations of companies, close corporations and defensive names while Rand strength offset higher international oil prices in US dollars. While company registrations jumped dramatically in April, this year's average monthly level of registrations continues to be well down on 2000 and 2001 (46 per month compared to 55 per month for 2000 and 2001). Commercial vehicle sales and corporate registrations also helped raise both the Investment Index and the Leading Indicator while the Consumption Index and the Coincident Indicator continued to fall.

		Apr	Mar
Business Climate Index	▲	106.7	103.5
Investment Index	▲	120.3	110.7
Consumption Index	▼	89.3	89.8
Export Index	▼	111.8	114.6
Leading Indicator	▲	122.0	108.7
Coincident Indicator	▼	96.8	99.3

April 2002 Business Climate Survey

The IJG Business Climate Survey asks 50 top businesses in Namibia to reply to four questions on revenues, employment, investment and prevailing business conditions. In addition to this sample, members of the Association of Namibian Manufacturers (ANM) are also included in the survey. The ANM currently has 25 members, five of which were already included in our survey. Our survey received 36 responses from our usual sample but only 7 responses from the ANM. Results here are reported for the whole sample and for all manufacturers.

Q1: How do you expect your revenues to change over the next 12 months?

About two-thirds of responding businesses expect revenues to increase.

Firms were given a choice of three responses to the question on revenues: revenues could decrease, stay the same or increase. Out of 43 responses, only 2 companies expected revenues to fall, 14 expected revenues to stay the same while 27 expected revenues to increase. Manufacturers were generally more cautious with the majority of respondents stating that they expected revenues to stay the same.

Q2: How do you expect your workforce to change over the next 12 months?

Only very few businesses expect to cut their workforces while the proportion of respondents expecting to take on labour increased.

Firms were given a choice of three responses to the question on employment: either they expected to shed labour, or their workforces were expected to remain the same, or they expected to take on labour. This month 6 firms expected to shed labour while 18 expected their workforces to stay the same and 19 expected to take on labour. Only 2 out of the 6 firms expecting to shed labour were manufacturers.

Q3: Do you intend to invest in new plant and equipment (not inventories) over the next 12 months?

More than two-thirds of respondents expect to invest in new plant and equipment while manufacturing firms are more evenly divided between those that intend to invest and those that do not.

Firms could respond either that they intended to invest in new plant and equipment or that they did not intend to invest. Out of the 43 respondents, 31 replied that they intended to invest in new plant and equipment while 12 replied that they would not. Manufacturers were almost evenly split between those that intended to invest and those that did not.

Q4: How do you find prevailing business conditions for your business?

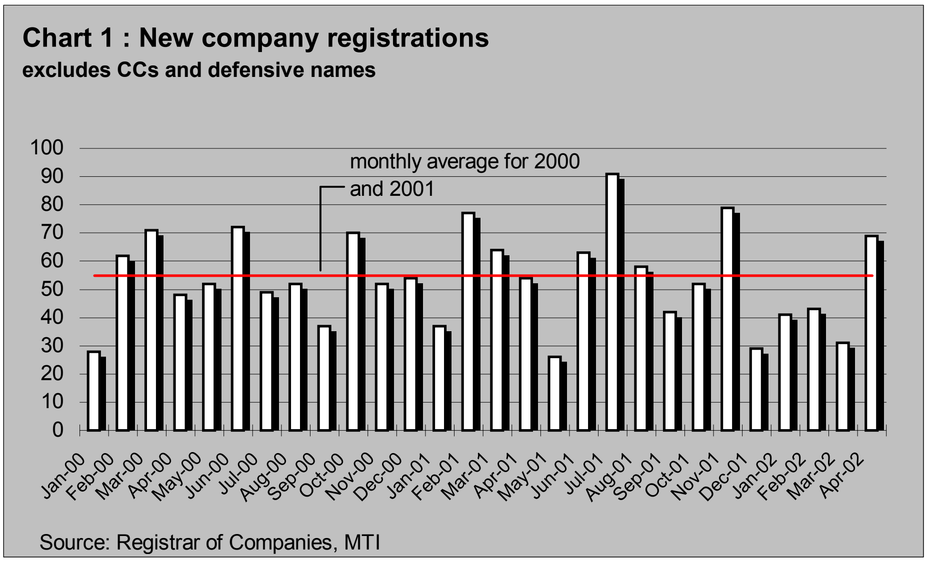
Almost 4 out of 5 responding firms view prevailing business conditions as either positive or very positive.

Firms were given a choice of four responses to the question on prevailing business conditions: very negative, negative, positive or very positive. Out of 43 responses, 9 viewed prevailing business conditions as negative while the remaining 34 viewed business conditions as either positive or very positive. None viewed conditions as very negative.

This month's survey suggests no dramatic change from previous months' results. Most firms expect revenues to increase, to maintain or increase their workforces, and to invest in new plant and equipment and view prevailing business conditions as positive. Manufacturers continue to be less optimistic in their expectations and views.

Commentary for April

Company registrations rose sharply in April. The Registrar of Companies at the Ministry of Trade and Industry registered 69 new companies. Chart 1 below shows company registrations since January 2000, the starting date of the IJG Business Climate Index. It shows registrations for the first three months of this year to be below the average for the years 2000 and 2001 of 55 new registrations a month.



In its April 27th – May 3rd edition, *The Economist* magazine estimated the Rand to be 64% undervalued against the US dollar according to its latest "Big Mac index", the second most undervalued currency after Argentina's Peso. Its poll of economic forecasters puts South African growth at 2.1% this year and 3.3% next year.

Preliminary estimates of GDP growth for 2001 were published by the Central Bureau of Statistics. Table 1 above compares the GDP forecasts that the IPPR made in its Economic Outlook 2001 with estimates published by the CBS. Columns 2 to 4 compare IPPR growth forecasts for 2000 made in February 2001 with CBS growth estimates made in August 2001 and most recently in March 2002. Columns 5 and 6 compare IPPR growth forecasts for 2001 made in February 2001 with the recently published preliminary estimates for 2001 from the CBS from March 2002. Without going into detail, three conclusions can be drawn from this comparison. The first is that the IPPR has clearly failed to forecast sectoral GDP with any degree of accuracy. While the sign of the forecast growth rate (that is to say whether value added increased or decreased) was generally correct for 2000, initial forecasts differ significantly from preliminary and later estimates. The second conclusion is that preliminary estimates by the CBS for 2000 can differ significantly from later estimates. For example, estimates for subsistence agriculture, fishing, fish processing, electricity and water, post and telecommunications, community services and government differed significantly in August 2001 and March 2002. The third is that, therefore, it is likely that the preliminary estimates for 2001 may be similarly revised. It is therefore probably too early to judge how far wrong the IPPR forecasts for 2001 were.

Table 1: IPPR forecasts and CBS estimates compared (in percentages)

	IPPR (Feb '01)	*CBS (Aug '01)*	*CBS (Mar '02)*	*IPPR (Feb '01)*	*CBS (Mar '02)*
Sector	***2000***	***2000***	***2000***	***2001***	***2001***
Agriculture	**3**	10.3	4.3	**5**	-11.4
Commercial	**3**	15.0	31.0	**5**	-10.5
Subsistence	**3**	5.8	-21.4	**5**	-12.8
Fishing	**0**	13.3	2.9	**0**	-7.7
Mining	**5**	-2.7	-1.7	**0**	-6.0
Diamond	**3**	-7.0	-6.7	**0**	-5.1
Other	**10**	10.3	13.3	**0**	-8.2
Manufacturing	**2**	4.5	3.6	**4**	6.1
Meat	**3**	-11.8	-9.7	**3**	5.9
Fish	**-5**	1.1	-14.5	**0**	-15.7
Other food	**5**	1.9	1.9	**5**	4.4
Other	**0**	17.3	24.9	**5**	20.5
Electricity etc	**0**	-13.5	11.5	**0**	3.3
Construction	**5**	-5.4	-4.4	**5**	49.4
Trade etc	**3**	4.9	5.2	**3**	1.9
Hotels etc	**0**	7.4	7.2	**0**	9.3
Transport etc	**4**	2.9	6.4	**3**	3.8
Transport	**3**	2.1	2.5	**3**	3.0
Post etc	**5**	4.3	13.5	**3**	5.1
Financial	**3**	5.6	6.2	**3**	1.8
Real estate etc	**3**	1.5	1.5	**3**	1.8
Community etc	**3**	-0.1	8.7	**3**	0.1
Government	**4**	4.2	2.4	**4**	1.8
Other	**2**	2.0	2.0	**2**	2.0
GDP	**3**	3.3	2.9	**3**	1.6