

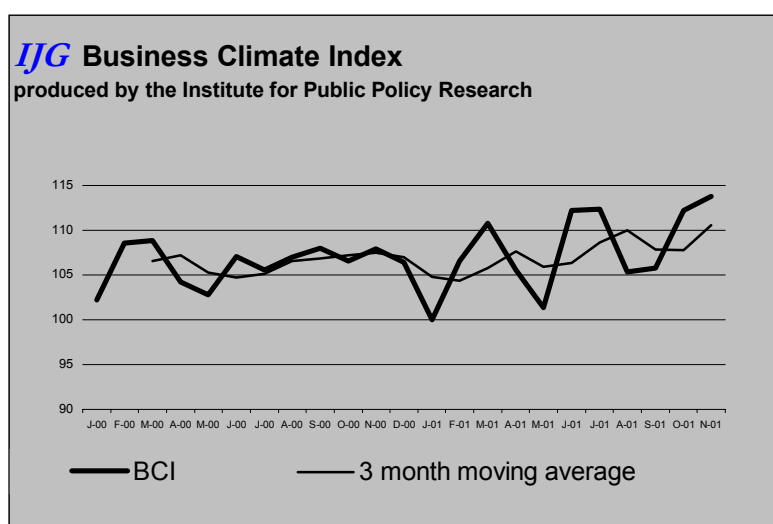


## The *IJJ* Business Climate Monitor for December 2001

*produced by the Institute for Public Policy Research*

The *IJJ Business Climate Monitor* consists of two elements: the *IJJ Business Climate Index* and the *IJJ Business Climate Survey*. In December 2001 the *IJJ Business Climate Index* continued to increase suggesting a further improvement in Namibia's business climate. This is supported by the results of the *Business Survey* which, although suffering from a poor response rate, supports the overall picture of an improved business climate despite the sharp depreciation of the Rand.

### December 2001 Business Climate Index



The Business Climate Index, which was launched by IJJ and the IPPR in December, is a quick way of gauging the business environment in Namibia. A rise in the BCI indicates an improvement in the business climate while a fall suggests a deterioration.

The Business Climate Index in December, which is based on data for November, increased for the third consecutive month to 113.8, the highest level since the BCI was first measured in January 2000. This

came about primarily because of increases in credit extension to both individuals and businesses as well as another healthy increase in corporate registrations.

The Investment and Export Indices all increased on the levels of September. Investment was helped once again by healthy commercial vehicle sales and corporate registrations as well as by large increases in business credit. The Consumption Index fell as passenger vehicle sales dropped and the cost of imported goods and oil rose. Our Leading Indicator rose suggesting further improvements in economic activity while the Coincident Indicator fell.

		Nov	Oct
<b>Business Climate Index</b>	▲	113.8	112.2
<b>Investment Index</b>	▲	133.2	126.5
<b>Consumption Index</b>	▼	105.4	113.4
<b>Export Index</b>	▲	107.8	104.4
<b>Leading Indicator</b>	▲	127.0	117.4
<b>Coincident Indicator</b>	▼	105.1	107.7

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## **December 2001 Business Climate Survey**

As expected for this time of year in Namibia, the response rate to the Business Climate Survey was poor. We e-mailed questionnaires to 50 top Namibian businesses from a wide range of sectors and received only 19 responses compared to 40 in November. As before, the questionnaires comprised four simple questions on revenues, employment, investment and prevailing business conditions.

### ***How do you expect your revenues to change over the next 12 months?***

Firms were given a choice of three responses to the question on revenues: revenues could decrease, stay the same or increase. Sixteen businesses replied that they expected revenues to increase over the coming year while 2 expected revenues to remain the same and only 1 responded that it expected revenues to decline. Interestingly, of the six respondents who changed their minds on revenue estimates between the November and December surveys, all now say they expect revenues to increase rather than decrease or stay the same.

### ***How do you expect your workforce to change over the next 12 months?***

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. One business replied that it expected to shed labour while 10 expected their workforces to remain the same and 8 expected to take on labour.

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

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 19 respondents, 15 replied that they intended to invest in new plant and equipment while 4 replied that they would not.

### ***How do you find prevailing business conditions for your business?***

Firms were given a choice of five responses to the question on prevailing business conditions: very negative, negative, neutral, positive or very positive. The overall response was split between 6 negative responses, 3 neutral responses, 7 positive responses and 3 very positive responses. None of the respondents firms see prevailing business conditions as very negative.

This is only the second month that IJG and the IPPR have produced the Business Climate Monitor. It was conducted at a particularly difficult time of year since many of the participants were away for the Christmas break. Interestingly, the generally positive picture of investment suggested by both elements of the November Monitor continues to find support in the both our December BCI and the December Survey. As in the November Survey, the proportion of businesses responding positively to the questions on revenue, investment, and prevailing business conditions is far higher than the proportion responding positively to the question on labour. This suggests a certain reluctance on the part of business to take on labour as a response to improved business conditions. The obvious conclusion from this is that business conditions will have to improve significantly if they are to translate into higher employment.

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## Commentary for December

December was dominated by the depreciation of the Rand which at one point fell to R13.84 to the US\$. Analysts have failed to provide convincing explanations of this continued sudden fall. Common explanations include Argentina's debt crisis causing "emerging market contagion", investors who are unable to differentiate between a politically unstable Zimbabwe and a stable South Africa, the slow pace of privatisation in South Africa reducing the inflow of US\$ into the economy, and simple investor prejudice. According to The Economist's "Big Mac Index", the South African Rand is now the most undervalued currency in the world, a finding sufficient to justify a full article in the December 15<sup>th</sup>-21<sup>st</sup> edition of this influential international magazine.

