Institute for Public Policy Research

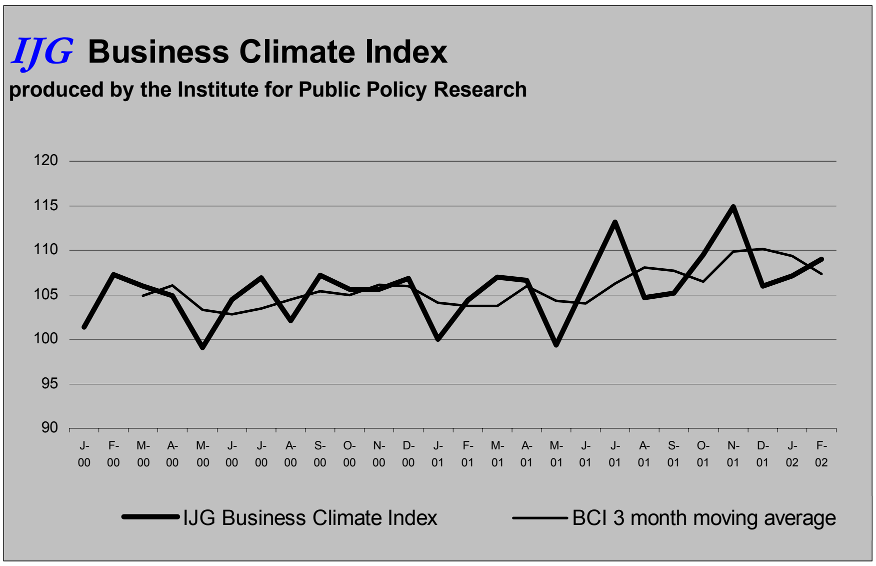
152 Robert Mugabe Avenue PO Box 86058 Eros Windhoek Namibia Tel: +264 61 240514/5 Fax: +264 61 240516 ippr@iway.na www.ippr.org.na

The *IJG* Business Climate Monitor for February 2002

produced by the Institute for Public Policy Research

- **The Business Climate Index for February was higher than in January suggesting that the overall business climate has continued to improve.**
- **For the first time the Business Climate Survey included members of the Association of Namibian Manufacturers.**
- **Most businesses expect revenues to increase but manufacturers are less optimistic.**
- **Most businesses expect their workforces to remain the same. Most of those firms expecting to shed labour were manufacturers.**
- **Most non-manufacturing firms expect to invest in new plant and equipment while most manufacturing firms do not.**
- **The vast majority of all firms view prevailing business conditions as either positive or very positive and this includes manufacturers.**

February 2002 Business Climate Index



The Business Climate Index in February increased from 107.2 to 109.0 suggesting that the overall business climate has continued to improve since the last fall between November and December 2001. This modest improvement can be put down to the slight strengthening of the Namibia dollar against the US$, stronger meat and metal prices, improvements in the leading indicators of OECD economies, and a jump in corporate registrations. These outweighed falls in the price of white fish, lower vehicle sales, subdued credit extension and a rise in the price of oil. Encouragingly, the Investment Index and the Leading Indicator also continued to rise.

		Feb	Jan
Business Climate Index	▲	109.0	107.2
Investment Index	▲	118.0	111.1
Consumption Index	▼	96.2	99.5
Export Index	▼	115.6	117.2
Leading Indicator	▲	133.2	116.2
Coincident Indicator	▼	103.0	106.2

February 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. This month members of the Association of Namibian Manufacturers (ANM) were also included in the survey. The ANM currently has 25 members, five of which were already included in our survey. Our survey received 27 responses from our usual sample and 15 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?

Most businesses expect revenues to increase but manufacturers are less optimistic.

Firms were given a choice of three responses to the question on revenues: revenues could decrease, stay the same or increase. Out of 42 responses, 4 companies expected revenues to fall while 25 expected revenues to increase. The remaining 13 expected revenues to stay the same. Of the 18 manufacturers that responded, 3 expected revenues to fall, 10 expected revenues to stay the same, and only 5 expected revenues to increase. Manufacturers therefore appear to be less optimistic about future revenues than business as a whole.

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

Most businesses expect their workforces to remain the same. Most of those firms expecting to shed labour were manufacturers.

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. A total of 7 firms expected to shed labour while 23 expected their workforces to stay the same and 12 expected to take on labour. Five out of the 7 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?

Most non-manufacturing firms expect to invest in new plant and equipment while most manufacturing firms 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 42 respondents, 23 replied that they intended to invest in new plant and equipment while 19 replied that they would not. Of the latter which did not expect to invest, 13 were manufacturers.

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

The vast majority of all firms view prevailing business conditions as either positive or very positive and this includes manufacturers.

Firms were given a choice of five responses to the question on prevailing business conditions: very negative, negative, neutral, positive or very positive. Out of 42 responses, 9 viewed prevailing business conditions as negative of which 4 were manufacturers. None viewed conditions as very negative.

In general, the results of the Business Survey support the Business Index in that both suggest that prevailing business conditions are generally positive. Rather puzzlingly, although manufacturing firms tend to be less positive in their responses to the more specific questions on revenues, employment and investment than other firms, they are as positive as other firms on prevailing business conditions.

Commentary for February

The killing of UNITA leader ***Jonas Savimbi*** on 22 February by Angolan government forces was welcomed by most observers in the region and abroad. The hope is that peace in Angola now stands a better chance than at any time since the elections of 1992, which Savimbi lost causing him to cry foul and return to war. A stable and growing Angolan economy would represent an enormous boost for Namibia's strategy of becoming a major transport and manufacturing hub.

February ended with an announcement by the Government that it intends to increase the ***social pension*** in Namibia from N$200 a month to N$250 in the forthcoming budget expected towards the end of March. According to the IPPR's own calculation, the social pension has fallen in purchasing power by more than 20% since Independence. It is interesting to compare Namibia's situation with that of South Africa. Following Finance Minister Trevor Manuel's last budget, the social pension in South Africa will rise to R620 a month. The ratio of GDP per capita between South Africa and Namibia is approximately 1.7. If Namibia's pension were on a level that reflected the relative incomes between the two countries, the social pension in Namibia would be N$365 a month.

The latest edition of the International Monetary Fund's free publication ***Finance and Development*** deals with the issue of globalisation and Africa. More details can be found on the IMF's website at www.imf.org/fandd .