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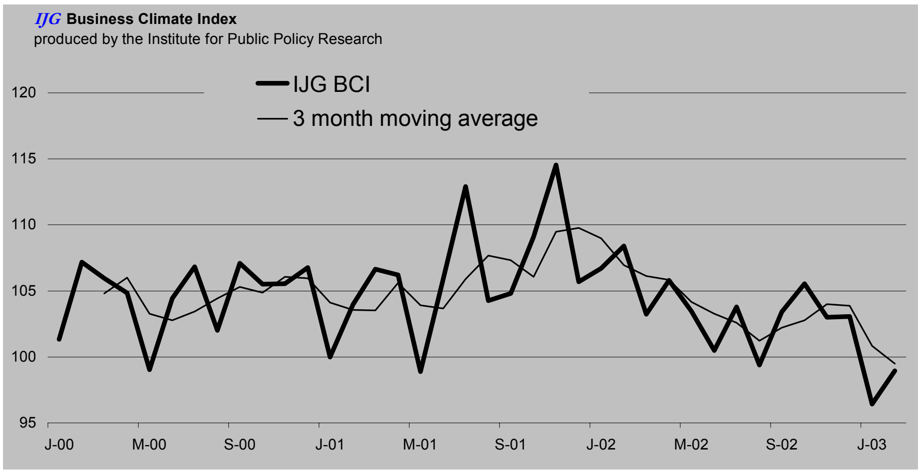
The *IJG* Business Climate Monitor for February 2003

produced by the Institute for Public Policy Research

- **The *IJG* Business Climate Index climbed two-and-a-half points from last month's low to reach 98.9 in February.**
- **The *IJG* Business Climate Survey suffered from a very poor response rate this month. Only a minority of responding businesses expect revenue and employment growth in the coming year although a majority continue to see prevailing business conditions as positive.**
- **Namibia is ranked 53rd in the latest Global Competitiveness Report produced by the World Economic Forum.**

The *IJG* Business Climate Index for February 2003



		February	January
Business Climate Index	▲	98.9	96.4
Investment Index	▲	104.2	99.8
Consumption Index	▼	91.3	92.2
Export Index	▲	101.7	101.1
Leading Indicator	▼	101.1	109.0
Coincident Indicator	-	94.3	94.3

The *IJG* ***Business Climate Index*** rose more than two points from its record low of 96.4 in January to reach 98.9 in February. The negative developments that contributed to the depressed BCI for January did not disappear. However, corporate registrations helped mitigate the picture, bouncing back from the seasonal lows experienced in January. Other components of the BCI showed no significant change. Oil prices continued to climb as the build up to war in Iraq continued. Recent data on meat and fish prices has now been incorporated into the BCI. By the beginning of March the Rand (and therefore the Namibia dollar) had strengthened to a point where the local currency broke through the R8 to the US dollar mark where it has stayed since.

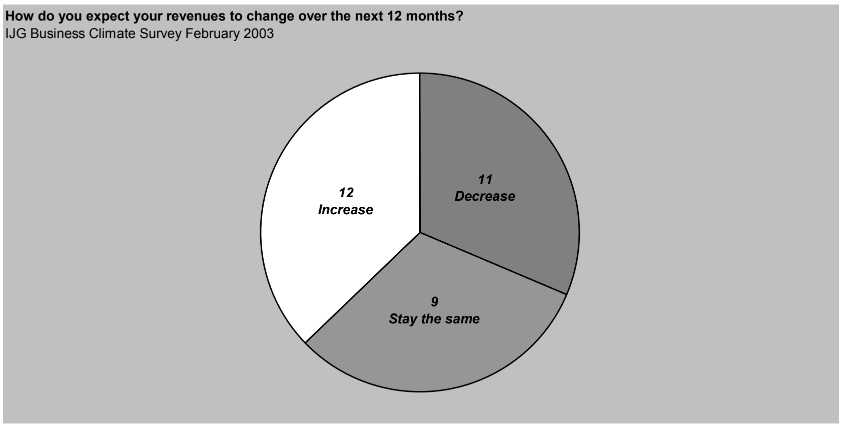
The *IJG* Business Climate Survey for February 2003

The *IJG* Business Climate Survey asks 50 top businesses in Namibia across all major sectors to reply to four questions on revenues, employment, investment and prevailing business conditions.

In addition to this sample, members of the Namibian Manufacturers Association (NMA) are also surveyed. Since September 2002 members of the Namibia Chamber of Commerce and Industry (NCCI) have taken part in the survey. This month we received a total of 35 responses. This poor response was due mainly to an internal mistake by the IPPR. Again, no responses at all were received from the NCCI. Results of our survey are, as usual, reported for the whole sample and for all manufacturers.

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

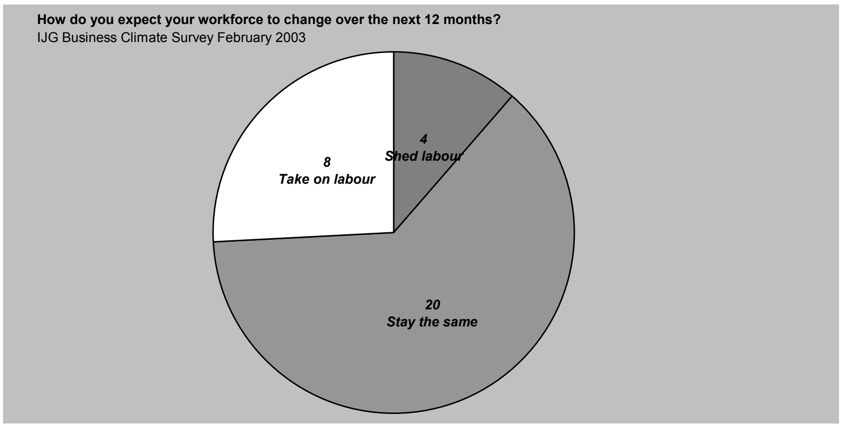
Almost one third of responding businesses expect revenues to fall.



As usual, firms were given a choice of three responses to the question on revenues: revenues could decrease, stay the same or increase. This month's responses were even more negative than last month's. Out of 35 responses, only 13 expected revenues to increase while 11 expected revenues to stay the same and 11 expected revenues to fall. For once manufacturers gave a more upbeat assessment with only 1 out of 13 expecting revenues to fall.

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

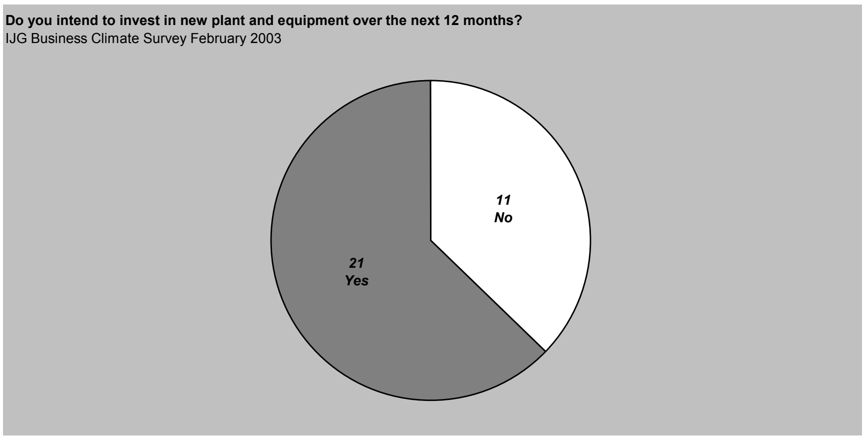
However, few respondents expect to shed labour.



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 9 firms stated they expected to take on labour while the majority expected their workforces to stay the same (22) or to shed labour (4). Manufacturers gave a similar response.

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

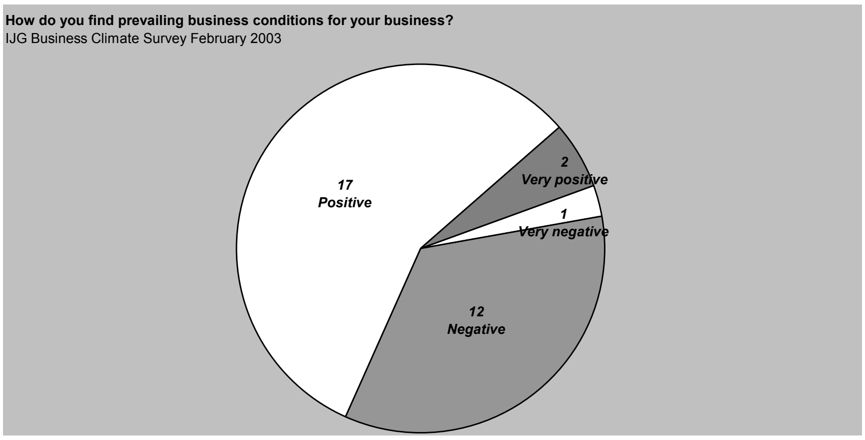
More than one third of all responding businesses do not intend to invest.



Firms could respond either that they intended to invest in new plant and equipment or that they did not intend to invest. The response this month was exactly the same as last month. Out of the 35 respondents, 22 stated that they intended to invest in new plant and equipment while 13 replied that they did not. Manufacturers were evenly split, the same as last month.

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

Less than two thirds of 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. A total of 22 viewed prevailing business conditions as positive (20) or very positive (2) while 13 viewed them as negative (12) or very negative (1). Manufacturers gave virtually the same response. This is a more negative perception than last month.

This month's survey again suffered from a poor response rate and the absence of participation by the NCCI. The negative expectations apparent in the January survey are more apparent in the February responses. A worryingly high proportion of respondents expect revenues to fall and not to invest although this does not appear to have negatively affected employment to the same extent. This suggests employment is far less susceptible to short-term trends in business conditions than revenues and investment. This is intuitively understandable since the costs of taking on and laying off workers is likely to be such that employers think long and hard about changing the sizes of their workforces simply because expectations of future turnover have changed. The negative outlook suggested by the responses to all four questions coincides with the decline in the ***BCI Leading Indicator***.

IPPR commentary for February 2003

IPPR commentary presents the views of the IPPR alone and not the sponsor.

The World Economic Forum (WEF), a Swiss-based organisation funded by 1,000 of the top international companies, ranks Namibia 53rd out of 80 countries in its latest ***Global Competitiveness Report 2002-03***. The methodology employed is supposed to produce a numerical measure of a country's potential for economic growth in a way that allows comparisons to be made between countries. The indexes are constructed from a combination of economic (quantitative) and survey (qualitative) data. This is the first time Namibia and three other African countries (Botswana, Morocco and Tunisia) have been included in the Global Competitiveness Report as opposed to the Africa Competitiveness Report. The latest report places South Africa 32nd (up two places from the last report), Tunisia 34th, Mauritius 35th, and Botswana 41st all ahead of Namibia. Nigeria and Zimbabwe come 71st and 79th respectively. In past years Namibia has consistently been ranked below Tunisia, Mauritius and Botswana but above South Africa in the WEF's African Competitiveness Report. No explanation is given why South Africa jumps from being ranked 7th in the 2000 Africa Competitiveness Report (below Tunisia, Mauritius, Botswana and Namibia) to being ranked above these countries in the latest Global Competitiveness Report.

On the sub-components of the Growth Competitiveness Index, Namibia ranks 59th on the Technology Index, 41st on the Public Institutions Index and 66th on the Macroeconomic Environment Index. This compares to South Africa's rankings of 38th, 34th and 30th respectively. On the Microeconomic Competitiveness Index Namibia ranks 51st and comes 58th and 49th in the two component sub-indices of "Company Operations and Strategy" and "Quality of National Business Environment" respectively. The report continues to distinguish between "core innovator" and "non-core innovator" countries, the former being those which have registered at least 15 US utility patents per million of population in 2001. This criterion is met by 24 countries. We reported on Namibia's post-independence performance in registering patents last month. More details on the Global Competitiveness Report can be found on the World Economic Forum's website at www.weforum.org.