

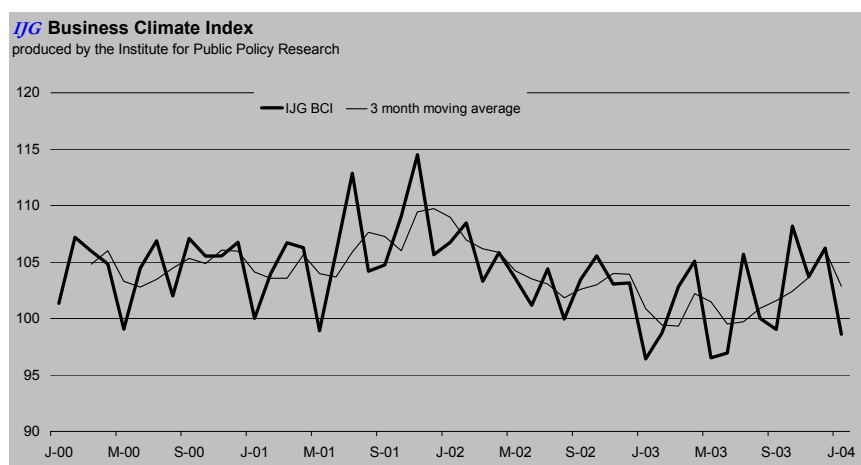


The *IIPPR* Business Climate Monitor for January 2004

produced by the Institute for Public Policy Research

- The *IIPPR* Business Climate Index fell between December and January.
- The *IIPPR* Business Climate Survey suggests an improvement has taken place in how businesses view prevailing conditions compared to last month's extremely negative perceptions.

The *IIPPR* Business Climate Index for January 2004



After rallying in the second half of 2003, the *IIPPR Business Climate Index* dropped by a massive seven-and-a-half points to reach 98.6 in January 2004. The usual end of year seasonal negativity in vehicle sales and company registrations was partly offset by positive movements in metal prices and a marked improvement in the outlook for OECD economies, especially the US. However, falling interest rates failed to produce a rise in credit to either businesses or individuals. All in all, the *IIPPR*

Business Climate Index paints quite a negative overall picture of the economic outlook this month. All indicators show a fall with the single exception of the **Export Index** which benefited from a slight weakening in the local currency vis-à-vis the US dollar.

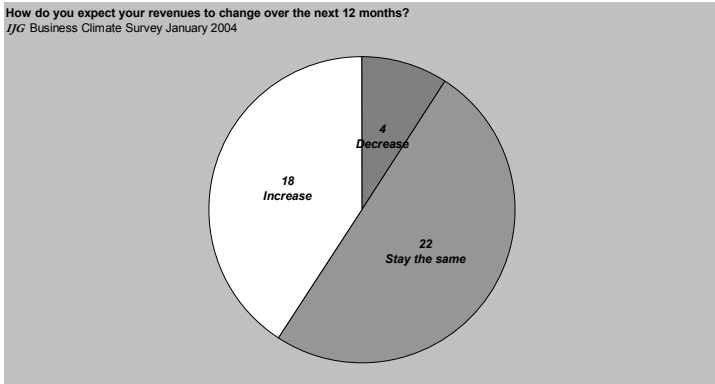
		January	December
Business Climate Index	▼	98.6	106.2
Investment Index	▼	101.7	127.2
Consumption Index	▼	100.5	103.0
Export Index	▲	101.3	96.3
Leading Indicator	▼	101.1	132.4
Coincident Indicator	▼	98.8	98.9

The *IIPPR* Business Climate Survey for January 2004

The *IIPPR Business Climate Survey* asks 50 top businesses in Namibia across all major sectors of the economy 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. For this survey, we received a total of 44 responses but none from the NCCI.

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

Just over two-fifths 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.

Nearly half of the businesses that responded expect revenue to stay the same but the number expecting revenues to increase rose and the number expecting revenues to decrease fell. Manufacturers responded in almost the same proportions.

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

A quarter of responding businesses now expect to take on labour.

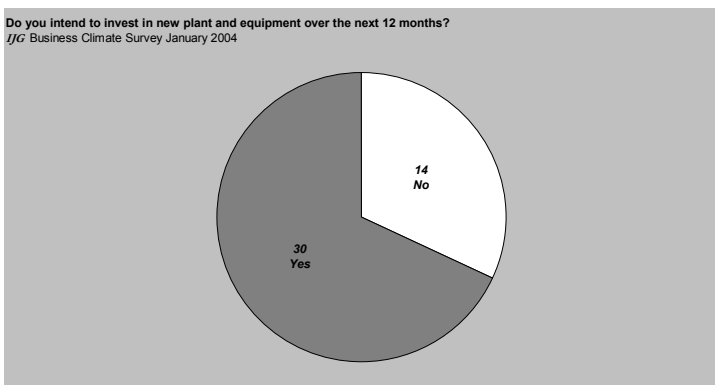


Firms were given a choice of three responses to the question on employment: either they expected to shed labour, or their workforces were expected to remain the same, or they expected to take on labour.

This month's response is more positive than last month with more respondents saying they expect to take on labour and fewer saying they expect to shed labour. Again manufacturers gave an almost identical response to the sample as a whole.

Q3: Do you intend to invest in new plant and equipment (excluding inventories) over the next 12 months?

Just over two-thirds of responding businesses intend to invest in new plant and equipment.



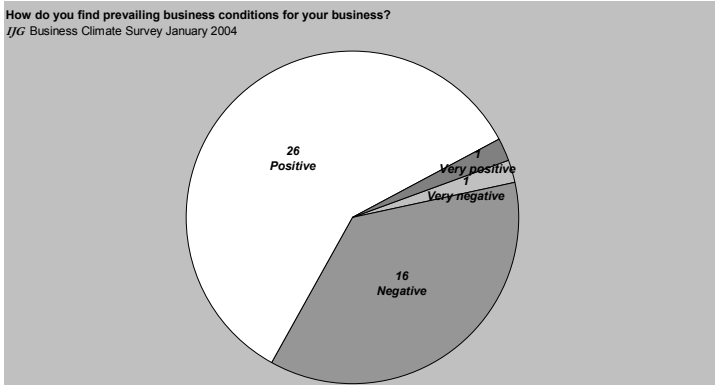
Firms could respond either that they intended to invest in new plant and equipment or that they did not intend to invest.

Just over two-thirds of respondents intend to invest in new plant and equipment over the next 12 months. Manufacturers gave a similar response.



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

More than three-fifths of the responding businesses perceive prevailing business conditions as positive.



Firms were given a choice of four responses to the question on prevailing business conditions: very negative, negative, positive or very positive.

Respondents had a far more positive outlook in January than in the preceding two months which were the most negative since the **IJG Business Climate Survey** began. Manufacturers gave a similar response.

Last month's outlook was the worst on record. The holiday period appears to have brightened the outlook somewhat. This is not easy to explain as the exchange rate, which we suspected was the main cause of negative sentiment in the economy, remains relatively strong. After a long period during which perceptions and expectations were generally more negative than those of the entire sample, this month saw manufacturers give virtually identical responses to the sample as a whole.

IPPR commentary for January 2004

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

The **Reuters EconoMeter** consensus poll of economists in South Africa for January puts South African growth for 2004 at 2.7% and headline inflation at 2.0% with the end of year prime lending rate at 11.86% and the R/US\$ exchange rate at R7.62. Table 1 below shows the full range of forecasts for 2004.

Table 1: Reuters Consensus Poll of Economists for South Africa: January 2004

Real GDP growth	2.7%
Highest forecast	3.2%
Lowest forecast	2.0%
CPI (headline)	2.0%
Highest forecast	4.5%
Lowest forecast	1.0%
Prime (end-of-period)	11.86%
Highest forecast	12.50%
Lowest forecast	11.00%
R/US\$	7.62
Highest forecast	9.25
Lowest forecast	6.55

Source: http://www.ber.sun.ac.za/downloads/2004/consensus/reuters/reuters_jan04.htm

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