

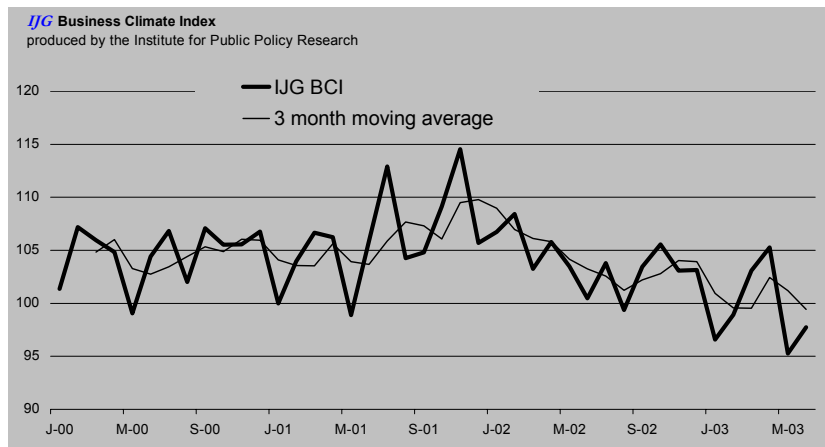


The *IJJ* Business Climate Monitor for June 2003

produced by the Institute for Public Policy Research

- The *IJJ* Business Climate Index recovered a little from last month's steep fall to reach 97.7 in June from 95.3 in May.
- The *IJJ* Business Climate Survey suggests business sentiment is becoming slightly less negative.
- The latest Report of the Auditor General shows unauthorised spending by vote is on the decline but unauthorised spending by main division and by subdivision has increased.
- The Bank of Namibia's latest Quarterly Bulletin for June 2003 confirms the negative economic picture presented by the *IJJ* Business Climate Monitor since the start of the year.

The *IJJ* Business Climate Index for June 2003



The *IJJ* Business Climate Index recovered nearly two-and-a-half points after last month's steep fall to reach 97.7 in June 2003. Although exports suffered from the continued strength of the Namibia dollar and vehicle sales and building plans remained weak, a jump in company registrations and bank credit to business helped lift the index in a positive direction. Local banks announced cuts in the prime lending rate to 16.25% following the long-awaited announcement of the South African Reserve Bank and the Bank of Namibia that the repo rate was to fall by 150 basis points. This positive news did not feed directly into the June

		June	May
Business Climate Index	▲	97.7	95.3
Investment Index	▲	106.0	94.6
Consumption Index	▼	96.5	98.8
Export Index	▼	92.6	97.0
Leading Indicator	▲	112.5	105.4
Coincident Indicator	▼	91.2	95.1

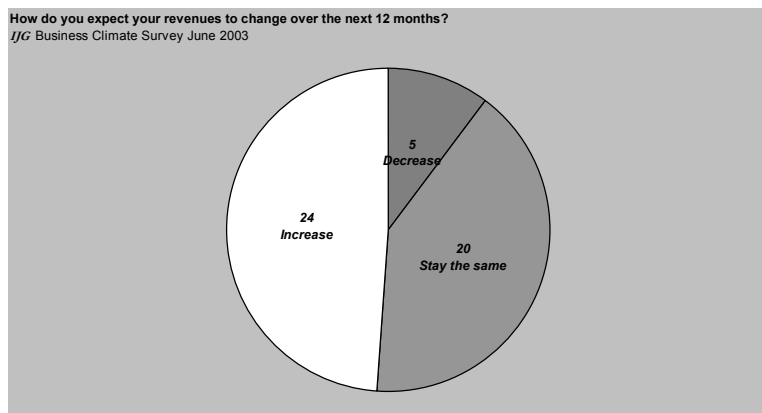
BCI since cuts only took effect from the beginning of July but probably made a difference to a number of component variables since expectations were very much in favour of a cut.

The *IJG* Business Climate Survey for June 2003

The *IJG* 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. This month we received a total of 49 responses. As usual, we report the results of our survey for the whole sample and for all manufacturers.

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

Almost a half of responding businesses expect revenues to increase.



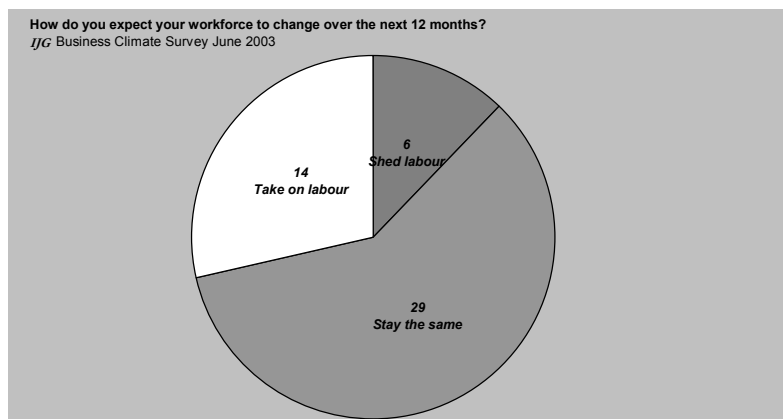
Firms were given a choice of three responses to the question on revenues: revenues could decrease, stay the same or increase.

Although virtually the same proportion of businesses expected revenues to increase, a smaller proportion of businesses expected revenues to decline this month. Out of 49 responses, 24 expect revenues to increase while 20 expect revenues to stay the same

and only 5 expect revenues to decline. Manufacturers' expectations did not change from last month.

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

Overall employment expectations have fallen back to the level of April.



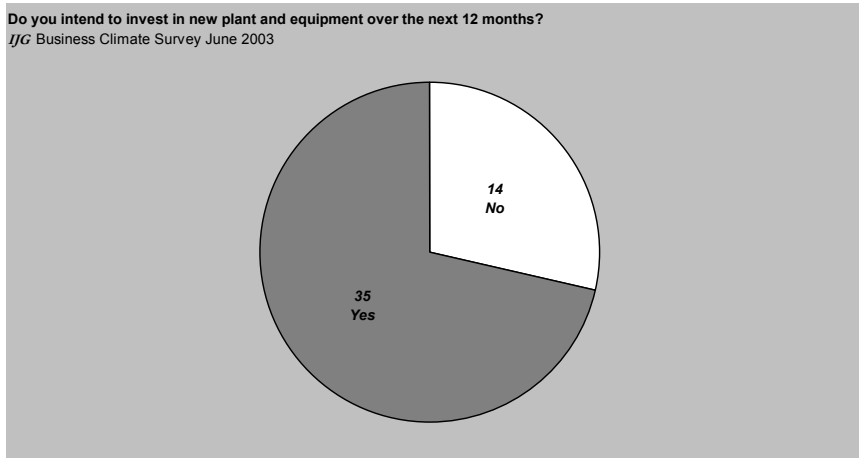
Firms were given a choice of three responses to the question on employment: either they expected to shed labour, or their workforces were expected to remain the same, or they expected to take on labour.

This month 14 out of 49 firms expect to take on labour while 6 expect to shed labour and 29 expect their workforces to remain the same. Manufacturers had not

changed their expectations since last month.

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

Investment expectations have not changed.

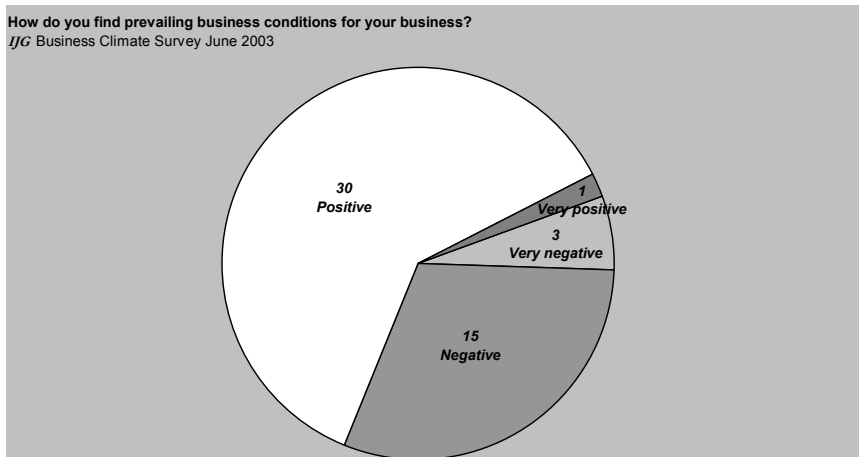


Firms could respond either that they intended to invest in new plant and equipment or that they did not intend to invest.

Similar to last month, more than two-thirds of respondents intend to invest in new plant and equipment. A small majority of manufacturers now intend to invest.

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

Almost two-thirds of all firms 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.

Out of 49 responses, 31 now perceive prevailing business conditions as positive or very positive. Manufacturers gave almost the same response.

June's survey suggests that expectations of an imminent cut in interest rates were already starting to affect business perceptions. Investment expectations appear to have been affected more than revenue and employment expectations suggesting investment is very much a leading indicator. Investment expectations have not been this positive since June last year, the month of the third interest rate rise in 2002.



IPPR commentary for June 2003

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

The **Report of the Auditor General for the year 1999/2000** was finally made available to the general public. Although actual revenue and expenditure numbers are published every year in the budget with a lag of two years (that is to say, the 2003/04 budget contains actual expenditure numbers for the year 2001/02), fully audited government accounts are only available to the public with a lag of three or four years, safely in the distant past the sceptic might say.

Table 1: Unauthorised spending by vote, main division and subdivision

<i>N\$m</i>	<i>90/91</i>	<i>91/92</i>	<i>92/93</i>	<i>93/94</i>	<i>94/95</i>	<i>95/96</i>	<i>96/97</i>	<i>97/98</i>	<i>98/99</i>	<i>99/00</i>
Unauthorised by vote	7.1	13.5	46.9	54.9	16.1	141.1	192.9	139.6	158.6	139.6
<i>As % of authorised expenditure</i>	0.3%	0.4%	1.4%	1.6%	0.4%	3.2%	3.7%	2.4%	2.5%	1.9%
Unauthorised by main division				83.4	46.5	188.9	244.4	177.2	184.8	286.9
<i>As % of authorised expenditure</i>				2.5%	1.2%	4.3%	4.7%	3.1%	2.9%	3.8%
Unauthorised by subdivision				191.0	122.4	325.9	355.9	300.7	263.2	441.2
<i>As % of authorised expenditure</i>				5.6%	3.2%	7.4%	6.8%	5.2%	4.1%	5.9%
Total authorised expenditure	2404.6	2999.3	3423.1	3381.0	3847.5	4384.1	5207.1	5754.7	6435.8	7496.0

Source: Reports of the Auditor General 1990/91-1999/00

Table 1 shows how unauthorised spending has changed between 1990/91 and 1999/2000. Unauthorised spending is spending over and above what parliament has approved for the three different levels of spending: votes, main divisions and subdivisions. As such it is a useful indicator of how well government sticks to its budget estimates. In an earlier briefing paper (IPPR Briefing Paper No.4), the IPPR gave the previous Minister of Finance Nangolo Mbumba credit for having reduced unauthorised spending by vote from 3.7% to 2.5% of total authorised spending. This looks to be a trend which continued until 1999/00 when unauthorised spending by vote fell to 1.9% of total authorised spending. However, the picture is clouded by the fact that within votes, overspending appears to be on the increase. Unauthorised spending by main division and subdivision increased in 1999/00 to 3.8% and 5.9% of total authorised spending respectively. It looks as if ministries are generally keeping to their ceilings but that money is being shifted around more within ministries.

The **Bank of Namibia's Quarterly Bulletin** for June 2003 was released. According to the Bank, "available indicators suggest a slow down in economic activities in Namibia during the first quarter of 2003", thus confirming the negative picture presented by the *IJG* Business Climate Monitor in the past months. The Bulletin can be downloaded from the database section of the IPPR website www.ippr.org.na.

The **IPPR website** now hosts a large variety of economic data and research reports which can be easily downloaded free of charge. The number of hits on the IPPR website has more than doubled from just under 4,000 in January to well over 8,000 in June.