

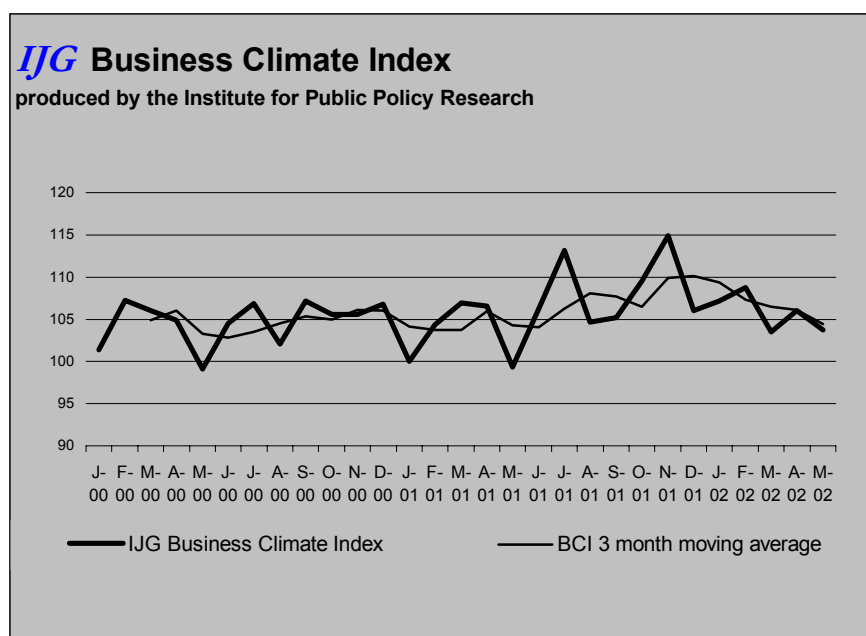


## The *IJG* Business Climate Monitor for May 2002

*produced by the Institute for Public Policy Research*

- The Business Climate Index fell slightly between April and May. The investment index, export index and leading indicator all fell suggesting the outlook for the economy has worsened.
- The Business Climate Survey suggests little has changed since last month. A significant majority of firms expect revenues to increase, to maintain or increase their workforces, and to invest in new plant and equipment and they view prevailing business conditions as positive.
- The NCCI is soon to launch a video which looks at the role Namibian companies can play in addressing the problems caused by HIV/AIDS. The Ministry of Agriculture has published its Agricultural Statistics Bulletin for 2001. The Development Bank of Namibia Bill has been tabled in the National Assembly.

### May 2002 Business Climate Index



The ***Business Climate Index*** fell from 106.7 in April to 103.7 in May suggesting that the overall business climate has not improved from last month. The 3-month moving average still continues to be down. The investment index was down due to lower vehicle sales, lower building plans passed and a lower total registration of companies. The increase in the consumption index can mainly be attributed to the strengthening of the Namibia dollar against the US dollar during the month of May.

		May	Apr
<b>Business Climate Index</b>	▼	103.7	106.7
<b>Investment Index</b>	▼	110.9	120.3
<b>Consumption Index</b>	▲	93.4	89.3
<b>Export Index</b>	▼	106.7	111.8
<b>Leading Indicator</b>	▼	111.5	122.0
<b>Coincident Indicator</b>	▲	96.7	96.1

## May 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. In addition to this sample, members of the recently incorporated and renamed Namibian Manufacturers Association (NMA) are also included in the survey. Members of the NMA are in the process of re-registering with the new company. The survey received 35 responses from our usual sample and 11 responses from the NMA. 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?***

***About two-thirds 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. Out of 46 responses, only 4 companies expected revenues to fall, 13 expected revenues to stay the same while 29 expected revenues to increase. Manufacturers gave a more mixed response to this question, with 8 stating that their revenues were likely to stay the same and 7 stating that they would increase.

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

***The proportion of businesses that expect to cut their workforces declined while the majority said that their labour force would stay the same.***

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 only 3 firms expected to shed labour while 25 expected their workforces to stay the same and 18 expected to take on labour. None of the manufacturers expected to shed labour. Instead the majority expected their work force to stay the same.

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

***More than two-thirds of respondents expect to invest in new plant and equipment while manufacturing firms are more evenly divided between those that intend to invest and those that 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 45 respondents who replied to this question, 31 stated that they intended to invest in new plant and equipment while 14 replied that they would not. Manufacturers were almost evenly split between those that intended to invest and those that did not.

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

**Almost 4 out of 5 responding firms continue to 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. Out of 46 responses, 10 viewed prevailing business conditions as negative while the remaining 36 viewed business conditions as either positive or very positive. None viewed conditions as very negative.

This month's survey suggests no dramatic change from previous months' results. Most firms expect revenues to increase, to maintain or increase their workforces, and to invest in new plant and equipment and view prevailing business conditions as positive.

#### **Commentary for May**

The past month once again highlighted the issue of **HIV/AIDS** and Namibia's business sector with the news that **Nampower** had implemented a voluntary testing programme which revealed that at least 14% of its employees were HIV positive. The Human Immunodeficiency Virus (HIV), which causes AIDS (Acquired Immunodeficiency Syndrome) was first identified in 1983. Since then, it has spread with tremendous pace throughout the world. The first case of HIV in Namibia was recorded in 1986. Today UNAIDS ranks Namibia among the five countries most affected by the AIDS epidemic. HIV/AIDS has now surpassed tuberculosis and malaria as the leading cause of death among children and adults in Namibia. At the beginning of 2000 close to 70,000 people had been diagnosed with the HIV virus. Estimates put the number of infected persons as high as 180,000. AIDS in Namibia mostly affects the age group of 15-49 years, that is to say the workforce. According to the United Nations Development Programme in Namibia, 47% of all deaths are as a result of AIDS in this age group.

The most obvious impact of HIV/AIDS in Namibia in coming years will be the dramatic increase in HIV related illnesses and deaths. Most people diagnosed with HIV are likely to become sick and die within seven to ten years. HIV/AIDS is expected to have serious economic, social and demographic consequences for Namibia. The IMF estimates that GDP per capita in Namibia will be 5% lower by 2010 due to HIV/AIDS. Per capita growth is expected to be between 1% and 2% less as a result of AIDS. According to ILO reports, Namibia stands to lose 25-35% of its labour force by 2020.

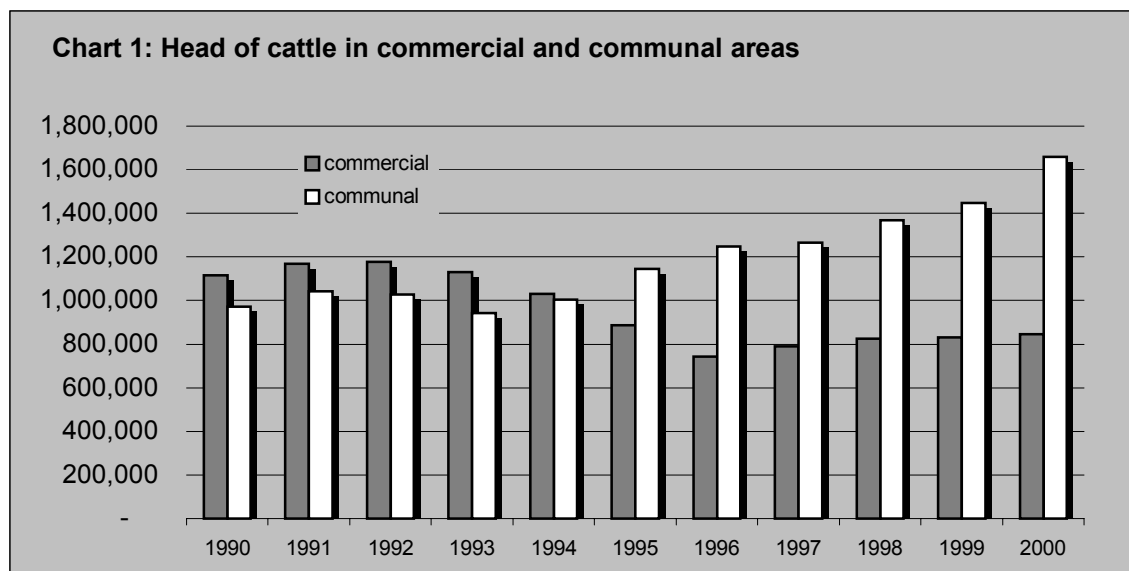
The prevalence of HIV in Namibia's workforce is not known with any degree of certainty. A **study by the Namibian Economic Policy Research Unit commissioned by the NCCI** revealed that, although 78% of companies in Windhoek claimed to have HIV/AIDS programmes, only between 25% and 44% of companies in the six other towns surveyed had such programmes. In Walvis Bay only 30% of the companies surveyed had programmes.

Out of a mixture of social responsibility and commercial self-interest, some companies have already taken initiatives to tackle the problems HIV/AIDS creates. The only known prevalence tests conducted on company workforces in Namibia so far are the Namdeb saliva test and **Nampower's** voluntary HIV test. Out of the 507 Nampower employees (representing 62% of the total workforce) who participated in the test, 72 (14%) tested positive. However, since over 300 employees did not take part in the survey, the actual proportion of HIV positive employees could be far higher. Nampower intends to use the information from the survey for planning purposes,



especially with regard to pension payouts, medical aid expenses, its provident fund, insurance, training and succession.

The Namibian Chamber of Commerce and Industry will shortly be launching a film entitled **“Managing AIDS”**. The film shows how a selection of companies have responded to HIV/AIDS highlighting efforts made by Namdeb, Okorusu Fluorspar Mine, Rössing and other companies. Issues such as whether companies should provide anti-retroviral drugs, how companies can share the costs of HIV/AIDS programmes, and how companies and the government can cooperate are discussed. So far it is Namibia’s mining sector that has been leading the way. Details of its Occupational Health Education and Awareness Programme (OHEAP) can be found in the Chamber of Mines annual report 2001. As a whole, however, the Namibian business sector is still at a very early stage in addressing these issues. *The Economist* magazine of May 11<sup>th</sup>-17<sup>th</sup> includes a survey of AIDS in Southern Africa which provides an interesting comparison between the different approaches adopted in three SADC countries: Botswana, Mozambique and South Africa.



The Ministry of Agriculture, Water and Rural Development has published its **Agricultural Statistics Bulletin 2001** which includes a broad range of statistics covering both the commercial and communal agriculture sectors up to 2000. Chart 1 shows how cattle numbers have changed since 1990. The latest National Livestock Census shows that the number of cattle in the communal areas continues to increase, whereas in the commercial areas numbers continue to fall. The number of cattle in communal areas has climbed steadily to reach an estimated 1,659,292 in 2000 compared to the post-1990 low of 943,735 in 1993. In the commercial sector the highest number of cattle was reported in 1992 (1,178,875) while the lowest estimate was in 1996 (743,057). The situation whereby the number of cattle in commercial areas exceeded the number of cattle on communal land has changed dramatically. Communal cattle now outnumber commercial cattle by almost two-to-one.

As promised the **Development Bank of Namibia Bill** has been introduced by the Minister of Finance in the National Assembly. The Bill establishes a development bank incorporated under the Companies Act in place of the Development Fund of Namibia (DFN) and the Namibia Development Corporation (NDC). The aim of the new institution is to “contribute to the economic growth and social development of Namibia by providing financing in support of key development



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activities". The DBN will establish a special fund called the "Special Development Fund" to promote small-scale projects and private ventures. Corporate governance and shielding the institution from direct political interference were high on the agenda of the team tasked with establishing the new bank. Three of the seven members of the board of directors will be appointed by the Minister of Finance. Three more will be appointed by the shareholders of the bank other than government. It is yet to be seen whether private sector shareholders will come on board. The government appoints an additional director for every 20% of the shares held above 50%. The first CEO will be appointed by the Minister and thereafter by the Board. The CEO's term of office is five years. The Minister of Finance has already allocated N\$125 million in the 2002/03 budget for the DBN, a rather lower amount than was initially hoped for. The DBN has been in the pipeline for some time now. The IPPR has already published material on the issue of a development bank for Namibia (see IPPR Opinion No. 2 and IPPR Interview No. 5 on our website [www.ippr.org.na](http://www.ippr.org.na)). There is evidence that lessons have been learnt from the disappointing experiences of the DFN and NDC and this is to be welcomed. Most countries have some sort of similar institution which suggests development banks can play a useful role in promoting economic development. It is to be hoped, however, that the new institution will not detract from efforts to push the private sector harder into financing longer-term and higher-risk projects which require finance. Other important initiatives are also being undertaken such as the studies into a government-sponsored venture capital fund and possible changes to the Namibian Stock Exchange and Namibia's domestic asset requirements which could have an important bearing on the value of a new bank. Copies of Bill can be obtained from Parliament at the office of Mr Harker (288-2507).