

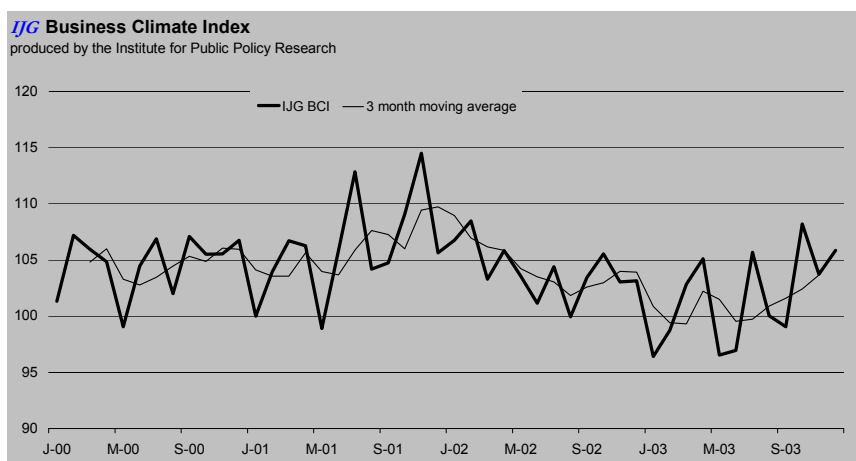


## The *IIG* Business Climate Monitor for November-December 2003

*produced by the Institute for Public Policy Research*

- The *IIG* Business Climate Index fell between October and December.
- The *IIG* Business Climate Survey suggests that businesses view prevailing conditions extremely negatively.
- The level of innovation in the economy appears to be in decline according to the number of patents applied for and granted by the Ministry of Trade and Industry.

### The *IIG* Business Climate Index for November and December 2003



After the sharp jump in October of nine points the *IIG Business Climate Index* plunged by four and a half points in November but recovered to 105.9 in December. This time of the year is generally marked by clear seasonal characteristics such as falls in vehicle sales, building plans and company registrations and this year was no exception. Notable during November and December, however, were the improvements in the OECD Leading Indicators, the

rise in metal prices, a sharp increase in the registration of defensive names and a rise in business credit. These factors boosted the **Leading Indicator** suggesting improvements in the economy can be expected.

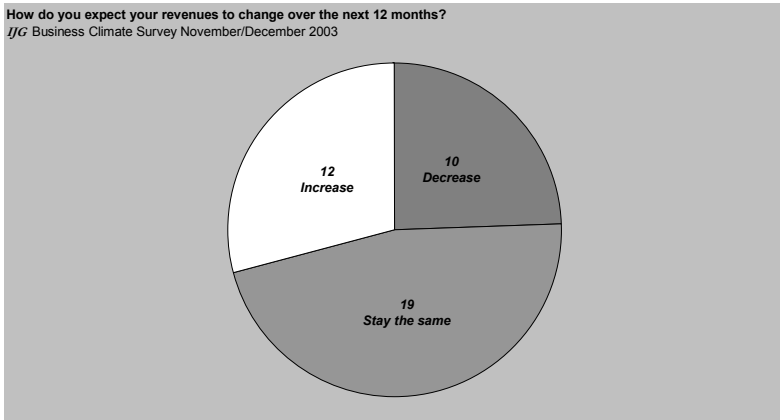
		December	November	October
<b>Business Climate Index</b>	▼	105.9	103.7	108.2
<b>Investment Index</b>	▲	127.2	113.0	124.4
<b>Consumption Index</b>	▼	103.0	116.7	113.9
<b>Export Index</b>	▲	95.2	89.3	89.7
<b>Leading Indicator</b>	▲	131.5	111.4	120.3
<b>Coincident Indicator</b>	▼	98.4	101.9	101.2

### The *IIG* Business Climate Survey for November/December 2003

The *IIG* 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 41 responses but none from the NCCI.

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

**Just over a quarter of responding businesses expect revenues to increase.**

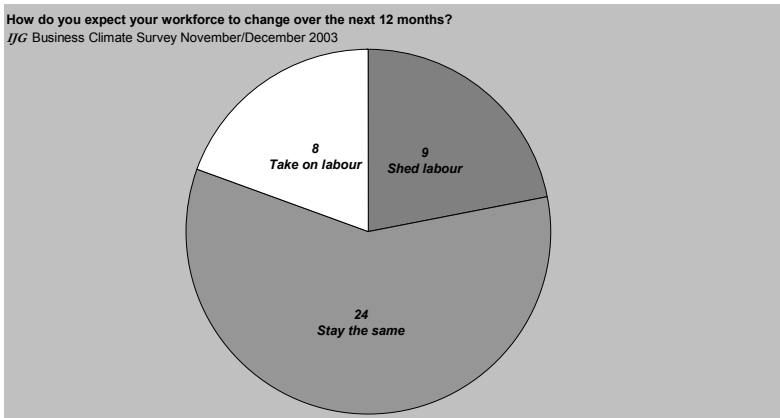


Firms were given a choice of three responses to the question on revenues: revenues could decrease, stay the same or increase.

Nearly half of the businesses that responded expect revenue to stay the same with only 12 perceiving that it will increase, the smallest proportion since the *I/JG* Business Climate Survey began. Manufacturers responded in almost the same proportions.

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

**Only one fifth of responding businesses expect to take on labour.**

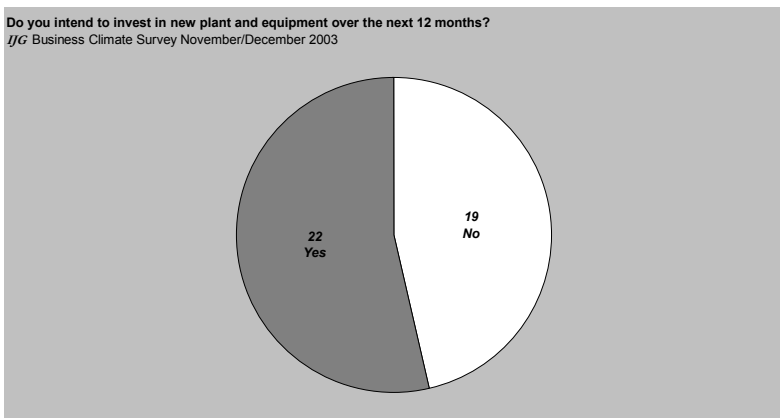


Firms were given a choice of three responses to the question on employment: either they expected to shed labour, or their workforces were expected to remain the same, or they expected to take on labour.

This survey is almost identical to last month with only one fifth of responding firms expecting to take on labour. Again manufacturers were similar 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 half 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 half of respondents intend to invest in new plant and equipment over the next 12 months, slightly less than in October.



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

**More than a half of the responding businesses perceive prevailing business conditions as negative.**



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

The November and December results indicate that almost two-thirds of responding businesses perceive prevailing business conditions as negative or very negative. This is the most negative outlook since the *I/JG* Business Climate Survey began.

These latest survey results suggest a uniformly negative view in terms of revenues, employment and investment and general perceptions of prevailing business conditions – surprising perhaps given the present environment of declining inflation and interest rates. The only convincing explanation is the continuing strength of the Rand is hitting Namibia’s exporters. Although the present exchange rate of R7-R7.50 to the US dollar makes the local currency undervalued in purchasing power parity terms, it looks as if an even more undervalued currency is necessary in order to boost domestic business perceptions on prevailing business conditions.

**IPPR commentary for November and December 2003**

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

The IPPR will shortly be publishing its economic outlook for 2004. This month the IPPR has looked at past growth forecasts presented by the Minister of Finance in the annual budget speech and compared this with actual growth measured by the Central Bureau of Statistics. There appears to be no particular upward or downward bias to the Ministry’s forecasts.

**Table 1: Comparison of budget growth forecasts with actual growth**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
MoF	N/a	2.0%	3.0%	-1.9%	N/a	3.0%	N/a	5.0%	4.1%	2.4%	N/a	3.9%	3.7%	4.1%
Actual	2.0%	8.2%	7.1%	-1.7%	7.3%	4.1%	3.2%	4.2%	3.3%	3.4%	3.3%	1.9%	2.3%	N/a

Source: Budget speeches and National Accounts, Central Bureau of Statistics

In January 2003 the IPPR presented data it had collected from the files of the Companies and Patents Registration Office in the Ministry of Trade and Industry showing the numbers of patents applied for and granted in Namibia since 1990. The updated data including the latest year 2003 is shown in Table 2. If anything, the inclusion of 2003 reinforces the impression that a steady decline in the number of patents applied for and granted has taken place since the late 1990s. The level of innovation by resident individuals and companies has not changed from the very low levels experienced in all the years since 1990. Such a trend should concern policymakers because patents are an important measurable indicator of creativity and innovation within an economy.



**Table 2: Patent applications and patents granted in Namibia**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Patents applied for:														
Residents (individual)	2	5	5	9	4	6	3	7	13	7	9	17	5	3
Residents (companies)	1	2	0	0	5	1	1	4	4	0	1	3	1	2
Non-residents (individual)	19	28	22	31	24	17	22	6	8	11	16	20	20	10
Non-residents (companies)	26	99	85	79	60	59	66	68	77	54	38	38	30	32
Unknown (individuals)	3	4	2	10	2	2	7	8	6	2	5	2	4	2
Unknown (companies)	0	1	3	2	1	1	1	2	2	4	4	0	1	3
Patents granted:													18	
Residents (individual)	2	2	1	3	3	0	1	2	1	2	0	2	N/a	2
Residents (companies)	0	0	0	1	2	0	1	1	2	1	0	0	N/a	0
Non-residents (individual)	3	7	23	18	15	16	7	9	4	5	4	6	N/a	3
Non-residents (companies)	7	47	81	76	58	42	41	52	49	61	23	7	N/a	15
Unknown (individuals)	0	0	0	0	4	2	2	6	2	2	0	0	N/a	0
Unknown (companies)	0	0	0	0	1	1	0	1	0	0	0	0	N/a	3
Totals applied for:	51	139	117	131	96	86	100	95	110	78	73	80	61	52
Of which:														
Residents	3	7	5	9	9	7	4	11	17	7	10	20	6	5
Non-residents	45	127	107	110	84	76	88	74	85	65	54	58	50	42
Unknown	3	5	5	12	3	3	8	10	8	6	9	2	5	5
Totals granted:	12	56	105	98	83	61	52	71	58	71	32	15	18	23
Of which:														
Residents	2	2	1	4	5	0	2	3	3	3	0	2	N/a	2
Non-residents	10	54	104	94	73	58	48	61	53	66	27	13	N/a	18
Unknown	0	0	0	0	5	3	2	7	2	2	0	0	N/a	3

Source: Ministry of Trade and Industry

## Recent IPPR publications

**Calculating Optimal Assembly Size: Namibian in Comparative Perspective**, IPPR Briefing Paper No. 28, January 2004 by Christiaan Keulder, Deon van Zyl and Laura Breu

