Institute for Public Policy Research

Positive direction
Business conditions continue to improve

The *IJG Retail* Confidence Survey
First Quarter of 2010

Introduction

The *IJG* Retail Business Survey is a quarterly assessment of retail business expectations. This survey was conducted in April 2010 by the Institute for Public Policy Research (IPPR). The IPPR secured 20 face-to-face interviews. The survey contained questions that sought to gauge business sentiment in the retail sector in terms of **business climate, sales & supplies, capacity & innovation, and financial performance.**

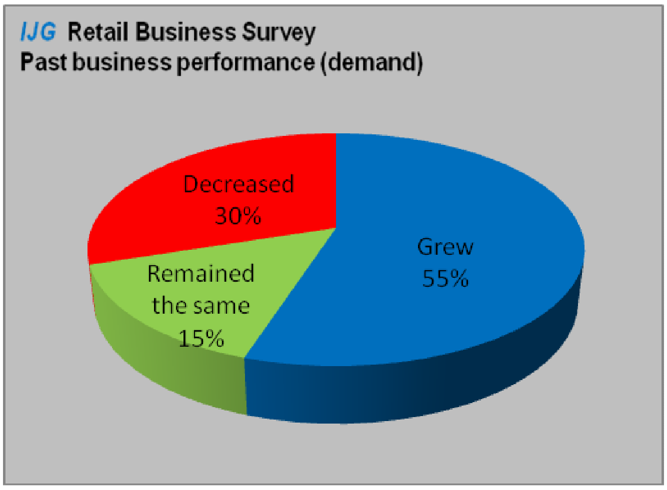
Survey Highlights

- The past three months turned out favourable for 55% of the respondents in terms of general business performance.
- Not much is expected in terms of workforce dynamics in the second quarter of 2010 as employment figures will largely remain unchanged.
- Only one respondent used loan facilities to provide working and expansion capital, while the rest used internal funds
- 65% compared to 78% of respondents in the previous analysis complained of losses due to theft of merchandise.

For this analysis, respondents were mainly from the following sub-sectors, together with the frequencies:

Line of merchandise	Number of respondents
Clothing	6
Electronics and appliances	1
Food and beverages	2
Furniture	2
Hardware	1
Pharmaceuticals	2
Luxuries (e.g. jewellery)	2
Books and stationery	1
General	3

General Business Performance



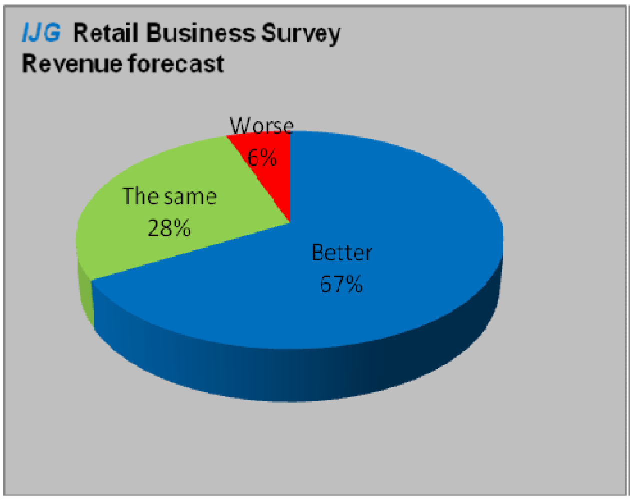
Retailers were asked to rate general business performance in terms of demand for their merchandise over the past three months (January to March 2010) as compared to the previous three-month period. The past three months turned out favourable for 55% of the respondents. This compares to 44% in the previous analysis. This was mainly pushed up by clothing retailers and to a small extent by food and beverage stores. Demand for merchandise did not improve from the last quarter's analysis for 15% of the retailers. Both jewellery outlets interviewed indicated reduced demand for their merchandise, mainly due to the luxury nature of their merchandise, which was not a priority to customers after the crisis of 2008.

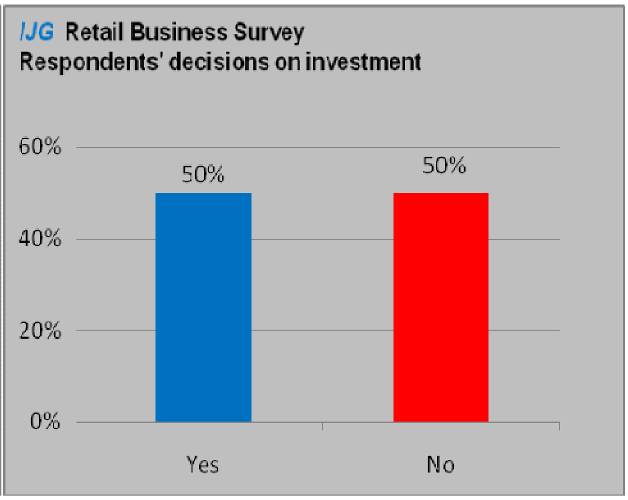
Crime was the most prominent challenge that retailers faced in the first quarter of 2010. Nine respondents, just like in the last analysis recorded losses due to theft. Skills shortages, access to finance and electricity supply also presented challenges. The table below gives a summary of these challenges.

Challenge	Frequency
Crime	9
Skills and education	6
Access to finance	5
Electricity	5
Macroeconomic uncertainty	4
Inflation	3
Tax administration	3
Transportation	2
Customs and trade regulations	2
Regulatory policy	1
Labour regulations	1
Business licensing and permits	1
Corruption	1

This time we received figures of losses due to theft from ten respondents. The losses totalled N$1.1 million. In the fourth quarter analysis losses due to theft of around N$5.1 million were recorded. This was during the brisk business days of the festive season. The retailers have linked the theft to the difficult economic times and the large volumes of customers who frequent retail outlets. Minor challenges to the retailers during the first quarter of the year included corruption, business licensing and labour regulations.

Financial performance





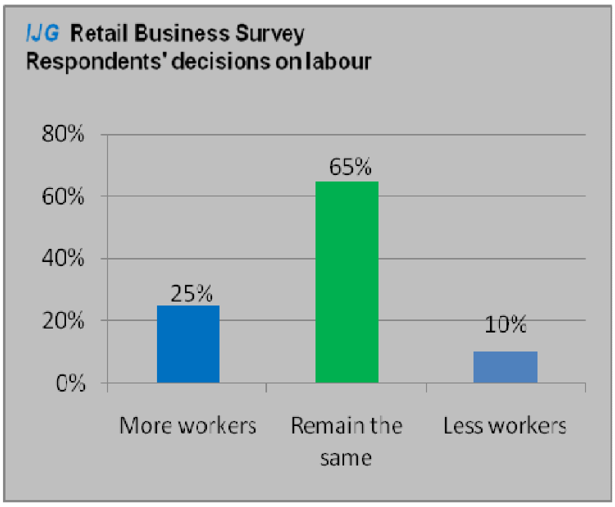
In this regard, retailers were asked questions pertaining their financial performance in terms of past and future revenue performance as well as their future investment plans. This analysis shows an improved

67% (compared to 53% in the last quarter) of the respondents forecasting better revenue collection in the second quarter of 2010. Clothing and furniture retailers make up the greater portion in this category. One furniture shop forecasts an increase in hire purchase deals in the second quarter of 2010.

The issue of investments in the second quarter of the year was equally divided as 50% of the respondents indicated that they will invest in new stores, new product lines, renovations and staff development. The remaining 50% did not forecast any investments.

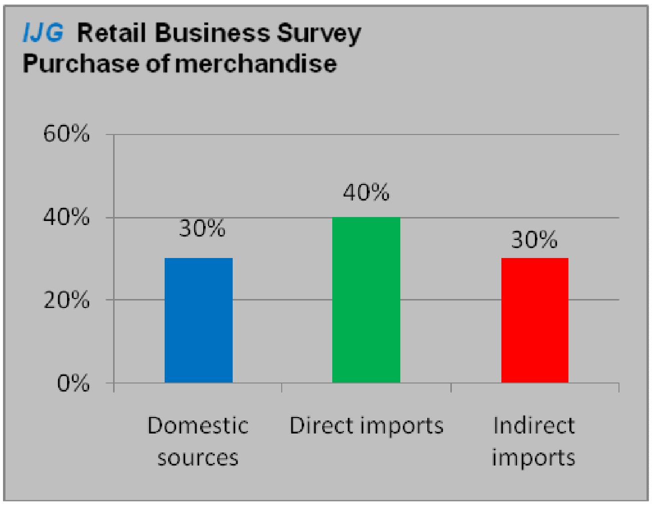
Only one respondent used a loan facility to finance their operations in the form of buying new machinery and equipment during the first quarter of the year. The greater part used trade credit facilities and internal funds. This could be attributed to the fact that access to finance was listed by 25% of the respondents as a major challenge to business perfomance.

Workforce Dynamics



In this regard, companies were asked if they would employ more, fewer, or the same number of employees in the next three months (April to June 2010) as compared to the first quarter of 2010.
A lower 65% (compared to 89% in the previous analysis) of the respondents will maintain the same number of employees they had in the previous quarter, while 25% (11% in the previous analysis), expect to employ more workers.

Sales and supplies



Companies were asked how they sourced the merchandise they sold in their outlets during the period under review. Direct imports, mostly from South Africa are sold by 40% of the respondents. The indirect imports (30%) were mainly through agents or distributors, while clothing retailers got their stock from their head offices and warehouses in South Africa. Food and beverage outlets and pharmaceutical retailers indicated that their merchandise is mainly sourced from within the country. These results are the same as those of the previous analysis.

For those who imported directly, it took an average of 10 days to get merchandise to outlets, without major challenges associated with customs clearance. The last analysis reported an average of 14 days. This may explain why customs regulations did not present that much of a problem to the retailers.

Capacity and innovation

Nine retailers developed new product lines for their shops with seven introducing new technology and equipment and four opening new stores. Two of the respondents opened new stores in Katima Mulilo.

Initiative	**Frequency**
Discontinued at least one type of product	9
Introduced new technology/ equipment	7
Upgraded an existing product or service line	6
Developed a new product or service line	5
Opened new store(s)	4
Obtained a new license	2
Made major renovations to your store	1
Closed store(s)	-

In terms of competition, like in the previous report, the majority of retailers, except food retailers did not feel as important, pressure from competitors to reduce mark-ups on existing products. The same applies to pressure to introduce new product lines.

About the IPPR and IJG

The **Institute for Public Policy Research (IPPR)** is a not-for-profit organisation with a mission to deliver independent, analytical, critical yet constructive research on social, political and economic issues that affect development in Namibia. The IPPR has been established in the belief that development is ***best promoted through free and critical debate informed by quality research***.

IJG Securities (Pty) Ltd, which sponsors the this Retail Survey, is one of Namibia's leading financial services boutiques, serving the institutional and corporate market and specialising in research, debt and equity placement, corporate finance, and equity and fixed-income dealing.

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