

Institute for Public Policy Research

Business as Usual

The *IJG* Retail Survey

Second Quarter of 2009



Introduction

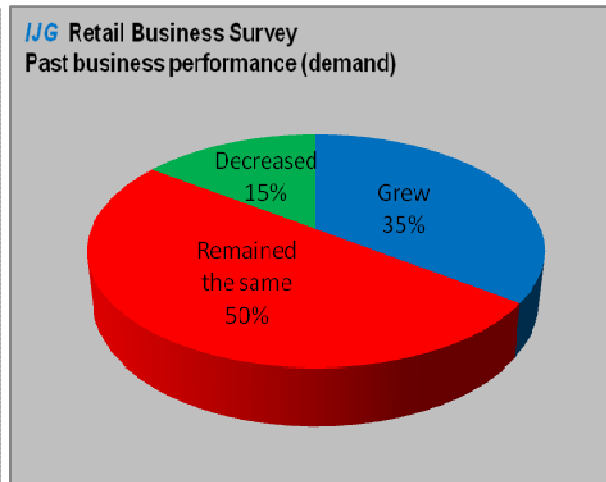
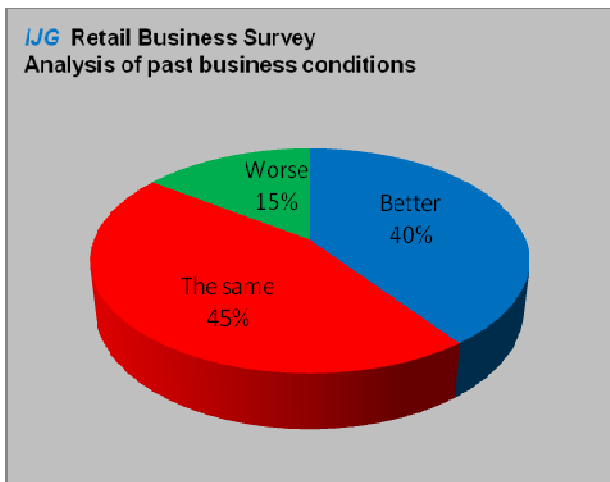
The *IJG* Retail Business Survey is a quarterly assessment of business expectations. This first survey was conducted in July and August 2009 by the Institute for Public Policy Research (IPPR). Some 41 retail companies were approached and 20 agreed to face-to-face interviews. The survey contained questions that sought to gauge business sentiment in the retail sector in terms of **business climate, sales & supplies, capacity & innovation, and financial performance.**

Survey Highlights

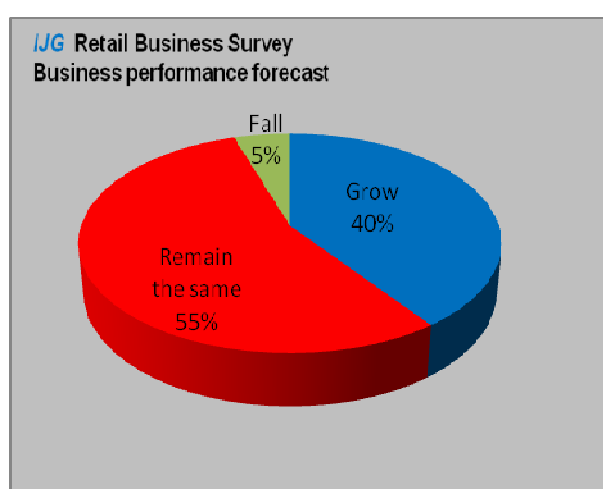
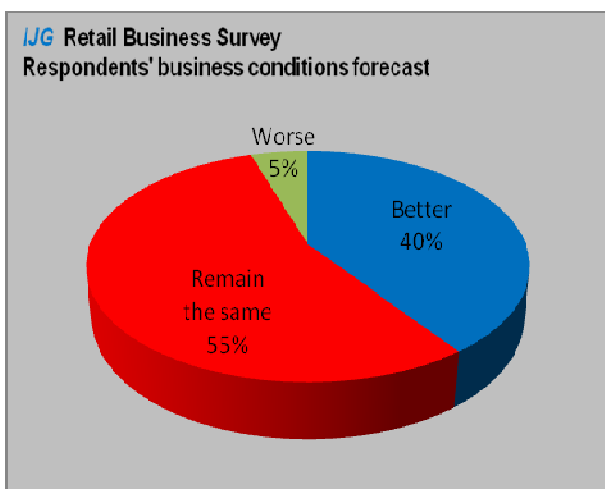
- 40% of respondents said business conditions improved during second quarter.
- No job losses were expected for the third quarter of the year, with respondents mainly retaining the same employees as in the second quarter.
- Most retailers did not use any external sources of finance for their operational and trading activities during the quarter under review.
- Half the respondents, mainly clothing and food and beverages retailers recorded losses due to theft.
- No major investments were planned for the third quarter.



General Business Conditions and Performance



Retailers were asked to rate general business conditions over the past three months (April to June 2009) as compared to the previous three-month period. The analysis shows that the past three months were favourable for 40% of the respondents, made up mainly of food retailers, with 40% having noted no change in terms of business conditions. However, only 15% of the respondents, mainly stationery and automobile retailers, experienced worse conditions in the period under review compared to the first quarter of the year.



Looking towards the third quarter, 55% of the respondents did not expect any improvement or worsening of business conditions, while 40% of the respondents expected that business conditions would be better than in the second quarter. The more optimistic businesses were mainly made up of food retailers.

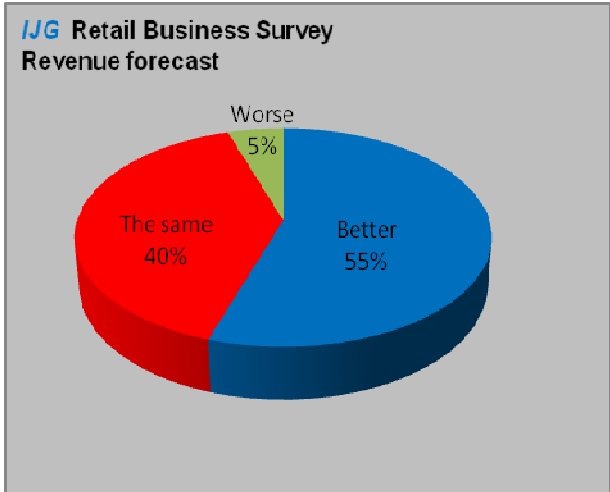
Challenges faced by retailers

In terms of major challenges, inflation, crime and macroeconomic uncertainty topped the list. 50% of the respondents, mainly clothing and food and beverages retailers, recorded losses due to theft, and most of them attributed this to the difficult economic times and the large volumes of customers who frequent their

outlets. Minor challenges to the retailers during the second quarter of the year included electricity supply, transportation and labour regulations.

Position	Challenge	Frequency
1	Inflation	12
2	Crime	10
3	Macroeconomic uncertainty	10
4	Electricity prices	5
5	Labour regulations	4
6	Transportation	3
7	Skills and education	2
8	Corruption	1

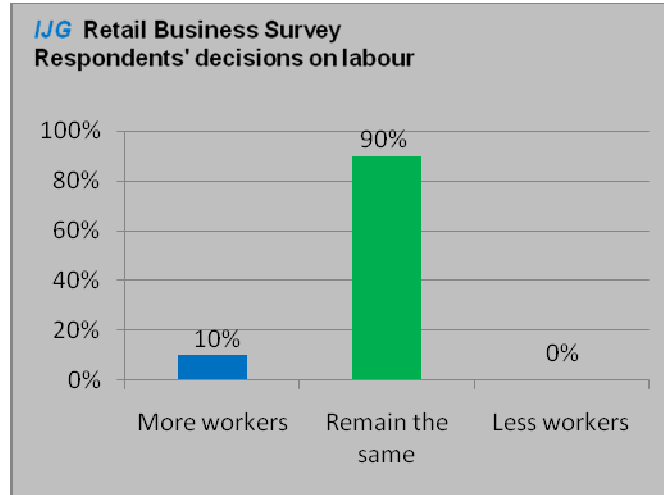
Financial performance



In this regard, retailers were asked questions pertaining to their financial performance in terms of past and future revenue performance as well as their future investment plans. The analysis gives a brighter picture regarding respondents whose revenue was expected to increase in the third quarter. A sizeable 55% of the respondents, mainly food and beverage retailers, are optimistic about the future, mainly due to the forecast increase in prices of basic goods, including food items. None of the respondents expected lower revenue in the third quarter than in the second quarter of the year.

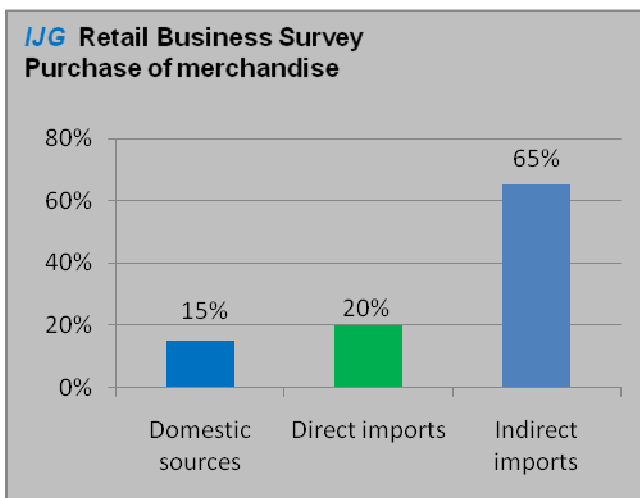
In terms of financing operations just a few retailers have used external sources of finance. Most of them have used internal funds to finance their operational and trading activities. Only 20% accessed financing in the form of loans from financial institutions.

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 (July to August 2009) as compared to the second quarter of 2009. A very high 90% of the respondents said they would maintain the same number of employees they had in the second quarter, while only 10%, mainly food retailers indicated intentions to take on more labour. Encouragingly, no respondents have plans to shed labour, a positive sign after the shivers previously brought about by the global economic down-turn.

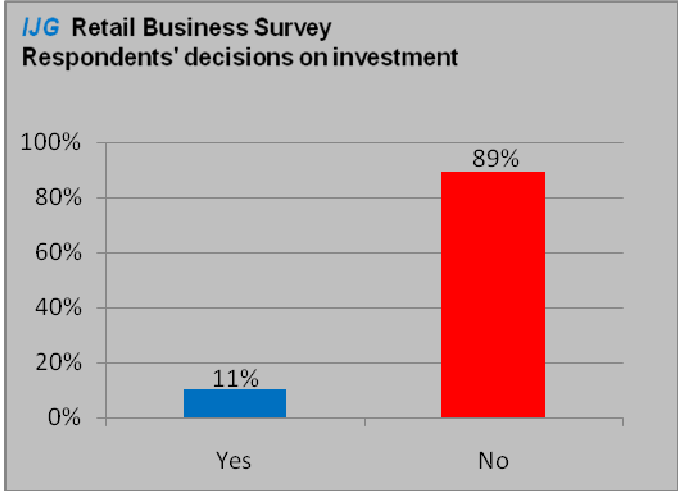
Sales and supplies



Companies were asked how they sourced the merchandise they sold in their outlets during the period under review. Some 65% of the respondents indicated that they imported indirectly mainly from South Africa. The indirect imports by food retailers were mainly through agents or distributors, while clothing retailers got their stock from their head offices and warehouses in South Africa. Motor vehicles retailers, liquor outlets and a pharmaceutical company indicated that they got their merchandise from local sources.

For those who imported directly, it took them an average of 12 days for their goods to be cleared by customs after arrival at a Namibian port of entry.

Capacity and innovation



Despite the favourable conditions expected in the coming quarter, 89% of the respondents do not have any investment plans lined up. A large food and beverage retailer has, however, indicated an intention to undertake massive investments in equipment and refurbishment.

Only three retailers undertook major renovations to at least one of their facilities, while two introduced new product lines to their merchandise. Only one respondent discontinued a product line. In terms of competition, the majority of retailers, except food retailers, did not feel that pressure from competitors to reduce mark-ups on existing products was important. The same trend was recorded in terms of 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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