

## The *IJJG* Quarterly Business Climate Survey: 2<sup>nd</sup> Quarter of 2007

*Produced by the Institute for Public Policy Research*

by

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### Background

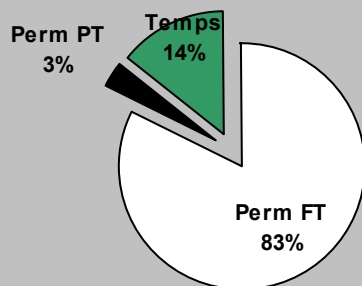
The *IJJG* Business Climate Monitor has been changed into a fully-fledged quarterly survey of business expectations with an extended questionnaire. Initially the BCM was designed as a monthly survey simply gauging company's business and investment expectations with little information on actual workforce dynamics. Furthermore, with the four questions it was very difficult to control for systematic biases as a lot of inconsistencies were evident in responses hence the change in the format. We also found that little material changes took place in company expectations from one month to the next thus necessitating a quarterly survey. The actual survey was conducted between June and July this year across all sectors of the economy. A questionnaire was sent to over 75 companies of which 31 replied. Key questions such as company background, workforce dynamics, revenue expectations and perceptions on business conditions were included in the survey instrument. Interestingly, nearly 29% of the respondents were from the manufacturing sector. Together with the tourism sector, manufacturing accounted for 48% of the respondents. Due to the small sample size the analysed results will not be presented by sector.

### Survey Highlights

#### Workforce Dynamics

The thirty-one companies that responded to the survey employed 11,315 workers as at the end of July this year compared to 11,439 in the previous quarter.

*IJJG* Business Climate Survey  
%employment by tenure



Thus the decline in employment within these firms was 1% between the first and second quarter. 83% of employees during the first quarter of 2007 were full-time with only 17% as either part-time or temporary employees.

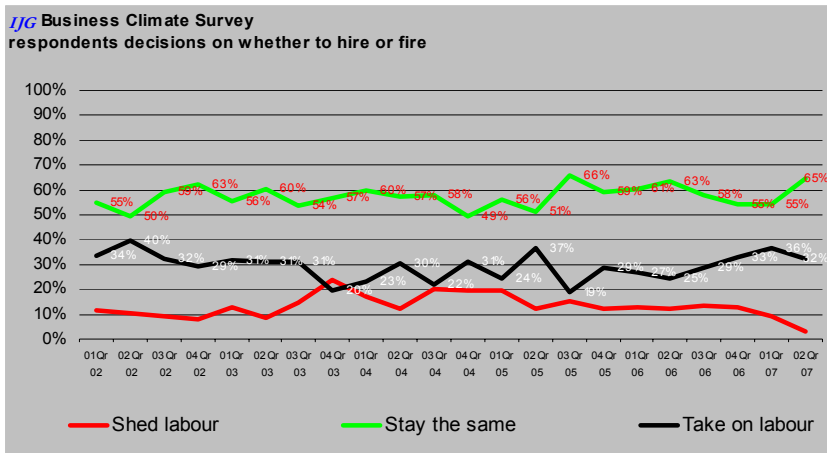
#### Separations

Of the 444 employees that separated from their employment during the previous quarter, 36% left to other jobs. 19.36% of workforce separations are through firing. Interestingly, sickness and death account for just 8% of separations.

## Turnover

Labour turnover, which concerns the movement of workers into and out of jobs, is 6%. This is calculated as the sum of all hiring and separations as percentage of first quarter employment. Generally, it is found that labour turnover rates among local firms are relatively low. Other researchers have argued that this chiefly co-exists with a relative dominance of firm specific skills or high degrees of monopsony power of firms (see for example Westergaard-Nielsen et al 2003). Also turnover rates are typically low for low skilled employees but generally high for the high skilled segment. Labour market mobility and therefore turnover is much higher for highly skilled segment owing to the high skills deficit in the local labour market.

## Hiring prospects remain subdued but positive...

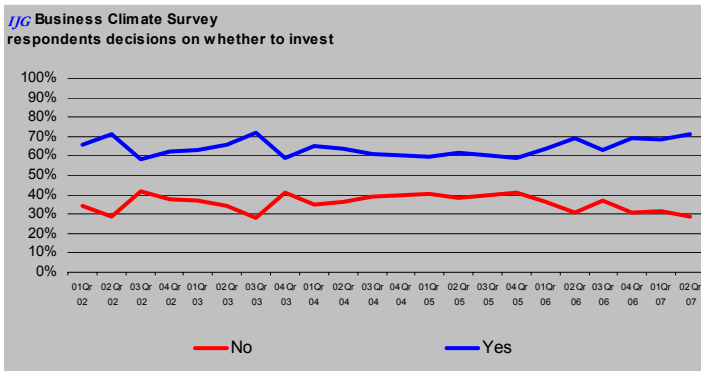


The outlook for hiring and job retention remains positive albeit subdued with 32% of the respondents indicating that they are to take on more labour. However, the majority (65%) of the respondents are of the opinion that they will maintain existing levels of employment with only 3% of the respondents suggesting that they may shed some labour over the next 12 months.

The only time such a high proportion of respondents indicated to maintain constant employment was during the third quarter of 2005. This suggests that firms are bit ambivalent about the business outlook going forward.

## Investment and Revenue Outlook

Firms had the option to say whether they intended to invest in new plant and equipment or otherwise. Over 70% of the responding firms intend to invest in new plant and equipment over the next twelve months. This is the second highest positive response to the question on the investment outlook since the start of the original monthly survey. However, this is not surprising as 61% of the responding firms expect revenues to increase over the next twelve months.

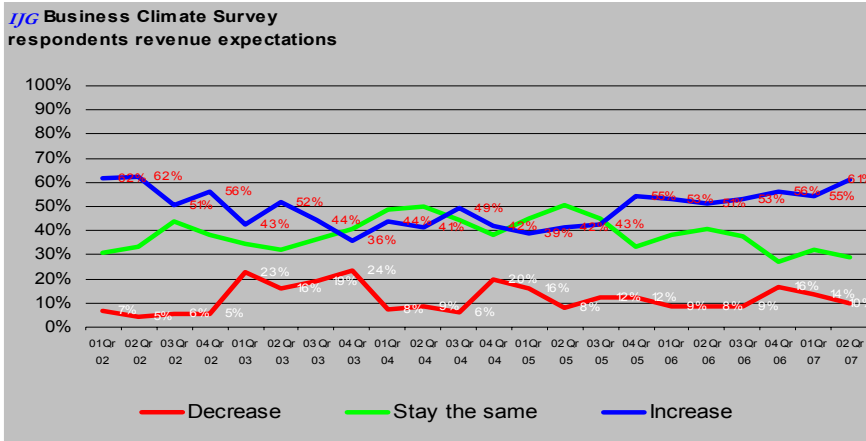


Only three of the 31 respondents expect revenues to decrease going forward. These firms ascribed the probable fall in revenues to reduced demand, which is not surprising given the rising cost of living that is likely to dampen consumer demand over the medium term. Nearly 57% of the firms that expect to invest in new plant and equipment will do so driven by an expansion strategy.

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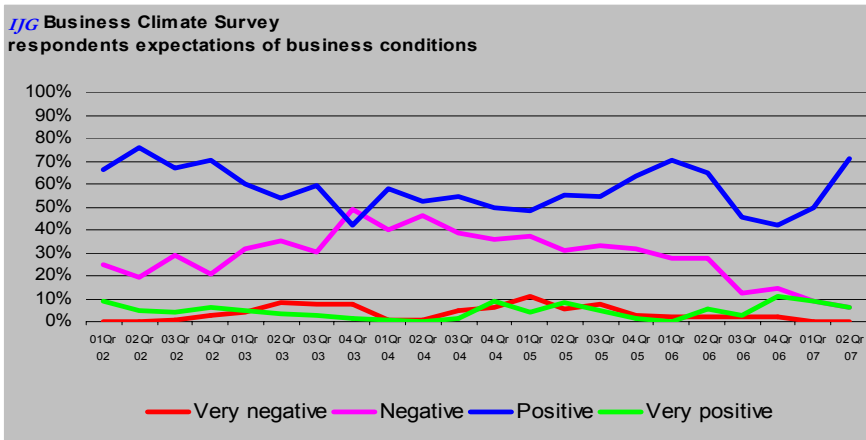


Only 10% of the responding firms expect revenues to decline in the future. Incidentally these firms are all in the mining and fisheries sector that are currently hampered by strong US\$/NAD exchange rate and supply constraints.



### Business Conditions

Generally most firms expect rather positive business conditions going forward. Nearly 80% of the responding firms stated that business conditions are either positive or very positive. A major trend reversal is evident since the last three quarters in terms of expectations



about the business environment. This also explains the positive investment outlook showed by the respondents with 17 of the 22 firms that indicated that they intend to invest in new capacity are expecting quite positive business conditions. In fact, well over a third (36%) of the firms that expect good business conditions also indicated that they are going to expand their labour force. Overall only one respondent indicated a very negative business environment going forward.

### Measures to improve or maintain sound business conditions

The survey also asked respondents to name a few factors that are critical for their business environment. The following are what businesses reported as some of the critical success factors:

- Market development and sustained economic growth in Namibia
- Stable (or perhaps weakened) exchange rates and competitive tax regimes
- Aggressive facilitation of cross border trade with Angola and South Africa
- Stable political climate and sound labour relations
- The ACC and law enforcement agencies should be effective in rooting out corruption

