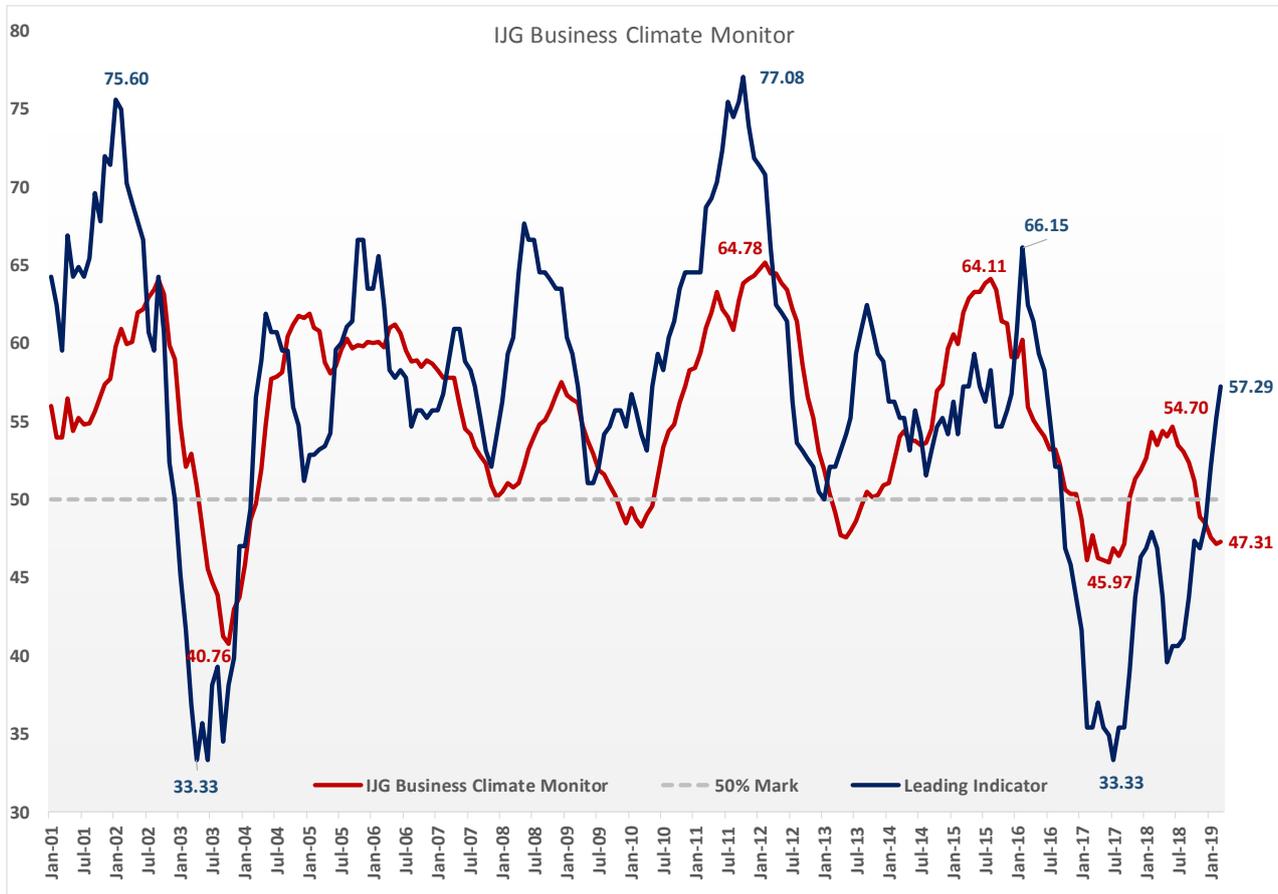




# BUSINESS CLIMATE MONITOR MARCH-19

Produced by Institute for Public Policy Research



The **IJG Business Climate Monitor** showed further signs of improvement In March even if the gains were small. The Leading Indicator, which crossed the 50-point barrier in January 2019, moved further into positive territory reaching 57.29 points. The IJG BCM reversed its downward trend and increased slightly from 47.18 points in February to 47.31 points in March 2019. However, the economic recovery remains fragile since the values of 17 of the 31 indicators declined in March compared to 13 that improved. As in the previous months, one indicator remained unchanged.

The number of livestock marketed surged in March to 47,748 from 26,191 in February and 16,186 in January, which reflects the severe drought that is holding Namibia in its grip. Average beef prices, however, dropped only slightly from NAD43.98 per kg in February to NAD43.72 per kg, while lamb prices decreased from NAD44.37 per kg to NAD40.98 per kg over the same period. While Namibia produced more copper, the production of all other minerals declined. This was most notable for diamond production that decreased by 50,000 carats to 141,614 carats. Similarly, mineral prices ended up lower in March than in February. The value of building plans completed in Windhoek more than doubled to NAD75.0 million, albeit from a low level. However, the value of building plans approved continued to drop further to NAD128.6 million.

There was less appetite for credit from businesses in March which resulted in a slight overall contraction of credit extended to the private sector even though individuals took up more credit than in February. Car dealers experienced a better month as passenger and commercial vehicle sales rose to an aggregate 936 vehicles. Looking at new business activity, the number of CCs and defensive names registered grew while company registrations declined.

**Overall**, the continued expansion of the Leading Indicator backed up by an improvement in the I/JG BCM indicated that confidence in the economy is returning. However, the downward movement of the majority of indicators suggests that any recovery will be fragile and setbacks in the near future cannot be ruled out.

### Note on methodology

The index encompasses 31 indicators, selected from available high-frequency data. These are split into five broad categories, namely: policy environment, primary sector output, secondary and tertiary output, external account, and pricing. Given the available high-frequency data, these categories provide the best available high-frequency insight into developments in the local economy and business cycle.

The raw data are adjusted and transformed for seasonality, inflation and exchange rate as appropriate. In addition, the data are adjusted to factor in whether higher or lower values are desirable (for example higher government spending is positive for the business climate, while higher interest rates are negative).

In order to develop a stationary indicator (i.e. not trending up or down) and to show dispersion from a mean value, the common PMI (Purchasing Managers' Index) approach has been slightly adjusted and utilised. This approach sees transformed indicators that are contracting over a 12-month period given a value of 0, while unchanged indicators are valued at 50 and expanding indicators valued at 100. The average value across the 31 indicators is then taken, with an overall value of over 50 implying expansion in the majority of indicators, while a value below 50 shows contraction in the majority of indicators. In addition to the level, the trend of the BCM line illustrates whether indicators are generally improving or deteriorating. A 12-period moving average is then used to smooth the indicator and ensure that short-term volatility or base effects do not provide a misleading view of the local business climate.

When compared to the historic business cycles, this approach gives a satisfactory high-frequency view of the state of the local business climate.

### Indicators

Indicator	Higher Value Better	Transformation	Leading
<b>Policy Environment</b>			
Prime Rate	No	None	Yes
Monthly Government Spending (N\$)	Yes	Deflated	Yes
<b>Primary Sector Output</b>			
Livestock marketed (#)	Yes	Seasonal Adjustment	No
Copper Production (tons)	Yes	None	No
Gold Production (kg)	Yes	None	No
Diamond Production (000' carats)	Yes	None	No

Uranium Production (short tons)	Yes	None	No
<b>Secondary and Tertiary Output</b>			
Building Plans Completed (N\$)	Yes	Deflated, Seasonal Adjustment	No
Building Plans Approved (N\$)	Yes	Deflated, Seasonal Adjustment	Yes
Tourism Arrivals (#)	Yes	Seasonal Adjustment	No
Passenger Vehicle Sales (#)	Yes	Seasonal Adjustment	No
Commercial Vehicle Sales (#)	Yes	Seasonal Adjustment	No
Credit Extended to Individuals (N\$)	Yes	Deflated, Seasonal Adjustment	No
Credit Extended to Businesses (N\$)	Yes	Deflated, Seasonal Adjustment	Yes
CC Registrations (#)	Yes	Seasonal Adjustment	Yes
Company Registrations (#)	Yes	Seasonal Adjustment	Yes
Defensive Name Registrations (#)	Yes	Seasonal Adjustment	Yes
<b>External Account</b>			
Imports (N\$)	No	Deflated, Seasonal Adjustment	Yes
Exports (N\$)	Yes	Deflated, Seasonal Adjustment	No
EURZAR Exchange rate	Yes	None	Yes
USDZAR Currency Exchange rate	Yes	None	Yes
<b>Prices</b>			
Beef Price (N\$)	Yes	Deflated, Seasonal Adjustment	No
Lamb Price (N\$)	Yes	Deflated, Seasonal Adjustment	No
Copper Spot (N\$)	Yes	Converted to ZAR, Deflated	Yes
Gold Spot (N\$)	Yes	Converted to ZAR, Deflated	Yes
Diamond Rough Price (Index)	Yes	Converted to ZAR, Deflated	Yes
Uranium Spot (N\$)	Yes	Converted to ZAR, Deflated	Yes
Brent Crude Oil (N\$)	No	Converted to ZAR, Deflated	Yes
Petrol (95 Octane) (N\$)	No	Deflated	No
Diesel (500 ppm) (N\$)	No	Deflated	No
NCPI (Index)	No	Seasonal Adjustment	Yes

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