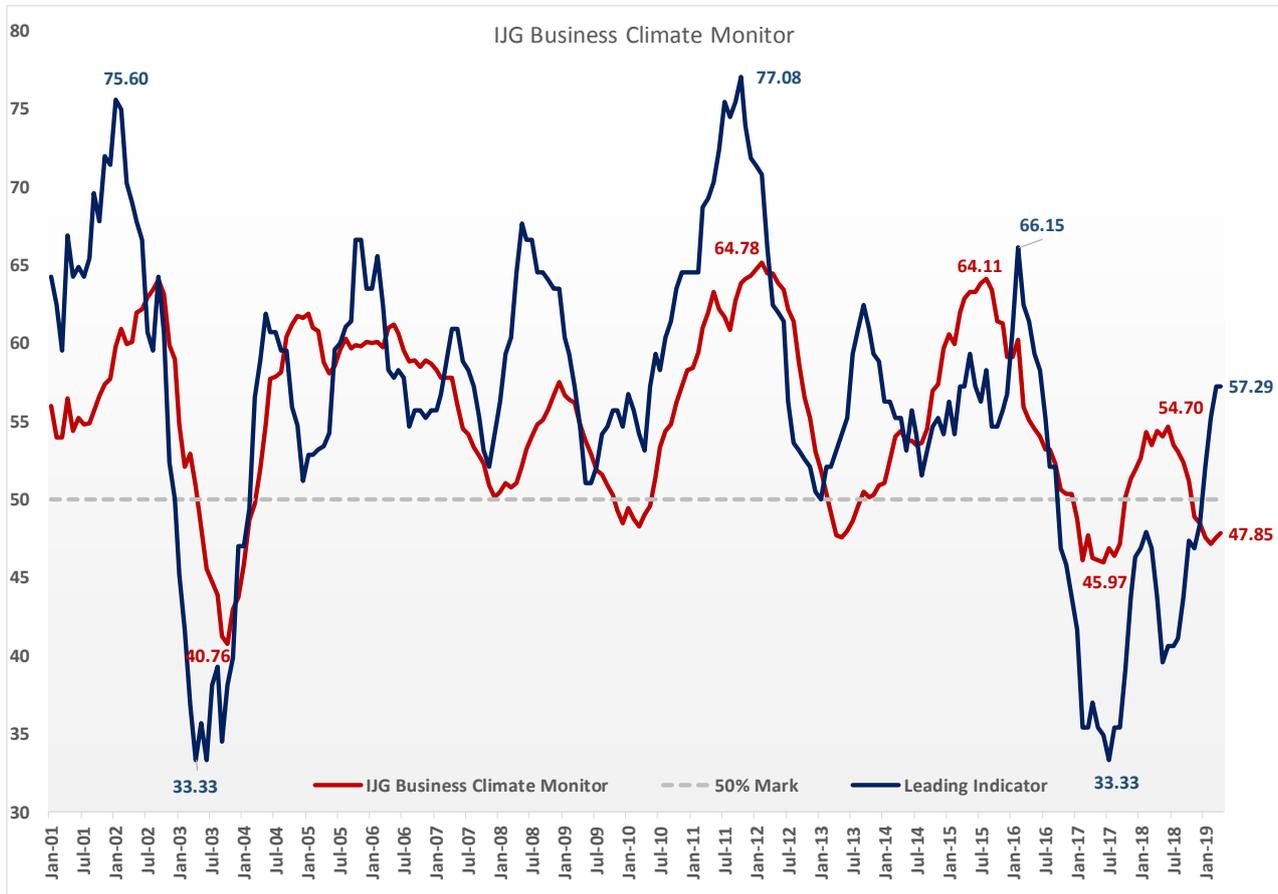




BUSINESS CLIMATE MONITOR APRIL-19

Produced by Institute for Public Policy Research



The **IJG Business Climate Monitor** continued to show slight improvement in April 2019. The Leading Indicator – which points to the future trend for the economy – remained flat, but in positive territory at 57.29 points. The IJG BCM followed an upward trend and climbed marginally to 47.85 from 47.58 in March 2019. The improvement was caused by the value of 15 indicators moving upward (compared to 14 in March), while the value of only 14 indicators as compared to 16 deteriorated. Two indicators showed no movement.

The total number of livestock marketed dropped from 49,588 in March to 46,676 in April. Despite lower marketing figures, prices continued to weaken. Average beef prices stood at NAD43.56 per kg and lamb prices at NAD35.91 per kg compared to NAD43.72 and NAD40.98 per kg respectively in March. Diamond production continued to drop substantially in April compared to March (down by almost 30,000 carat), while copper output was slightly below the output in the previous month (1,279 tons compared to 1,302 tons). Gold production, on the other hand, increased by more than ten percent to 445 kg. Both, copper and gold spot market prices weakened slightly, while uranium prices rose marginally.

April held some good news for the construction sector since the value of building plans approved increased from NAD128.6 million to NAD169 million. The value of buildings completed, however, dropped

compared to March to NAD55.2 million in April, almost the same value as in April 2018 (NAD55.5 m). The number of international arrivals picked up from 15,939 to 19,799, which was also an improvement compared to April 2018. Vehicle sales sent some mixed signals. The total number of vehicles sold declined, because of a stronger decrease in commercial vehicle sales compared to the increase in passenger vehicle sales. Both credit to individuals and to businesses grew in April 2019 - with private sector credit extension totalling NAD99,094 million.

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
Policy Environment			
Prime Rate	No	None	Yes
Monthly Government Spending (N\$)	Yes	Deflated	Yes
Primary Sector Output			
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
Secondary and Tertiary Output			

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
External Account			
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
Prices			
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

The IPPR is an Incorporated Association Not for Gain Registration Number 21/2000/468
Board: M M C Koep (Chairperson), D Motinga, J Ellis, N Nghipondoka-Robiati, G Hopwood