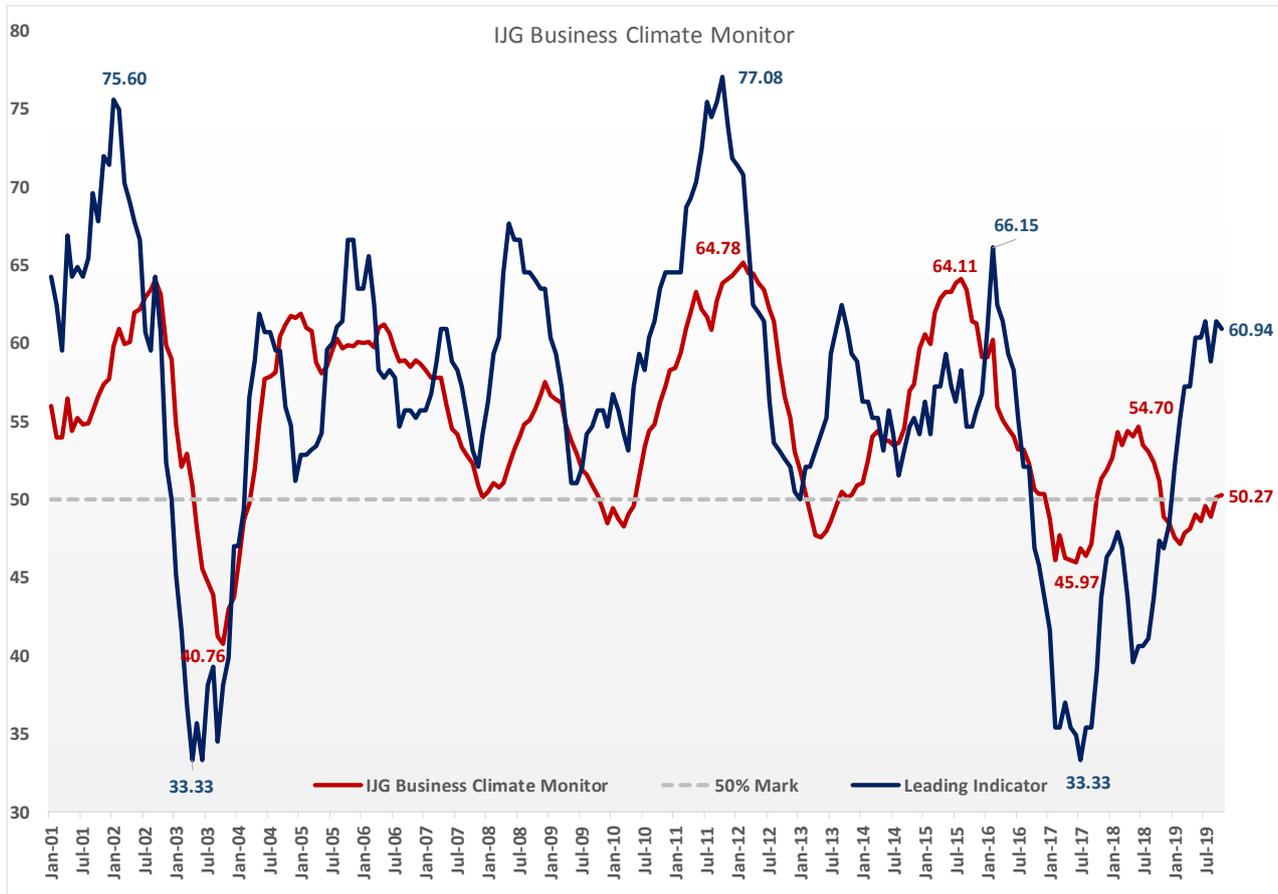




BUSINESS CLIMATE MONITOR OCTOBER-19

Produced by Institute for Public Policy Research



The **IJG Business Climate Monitor** remained slightly above the 50% level in October 2019 after it crossed into positive territory in September – a year after it was last above 50%. A value above 50 indicates an economic expansion, while a value below points to a contraction. The IJG BCM increased from 50.13 in September to 50.27 in October. It followed the Leading Indicator with a delay of eight months back into the expansionary area. The Leading Indicator has remained firm above 50 points since January 2019. However, it dropped slightly from 61.46 in September to 60.94 in October. 17 of the 31 indicators used to compile the IJG BCM showed an upward movement, while 14 declined.

The numbers of livestock marketed dropped – as expected - in October to 33,283 from 38,811 a month earlier with different impacts on beef and lamb prices. Beef prices continued to decrease to NAD40.94 per kg, while lamb prices remained on an upward trend rising to NAD42.03 per kg. Copper production contracted slightly from 1,378 tons to 1,348 tons, while gold production dropped from 790kg in September 2019 to 550kg. September’s gold production was the highest on record and October’s production figure remained above average for 2019. Diamond production rose strongly to almost 185,000 carat.

The value of building plans completed in Windhoek remained on par with September at NAD110 million, but the value of approved plans returned to average levels (NAD134.7 million) after a surge to NAD432.2

in September. Tourist arrivals at the Hosea Kutako Airport increased by almost 1,000 to 21,419. Vehicle sales showed improvement in particular for commercial vehicle sales which reached 971, up from 806. Private Sector Credit Extension rose further to almost NAD102 billion, mainly due to increased credit uptake by individuals.

Namibia's trade balance worsened in October due to a strong increase in the value of imports to NAD10.3 billion that was not matched by a similar increase in the value of exports to NAD8.3 billion. The number of total business registrations rose due to an increase in the number of CC and company registrations, while the number of defensive names registered in October dropped.

Overall, the return of the IJG BCM into positive area and the robust performance of the Leading Indicator suggest some form of silver lining on the horizon. However, it has to be remembered that the economy is recovering from a low base.

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

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