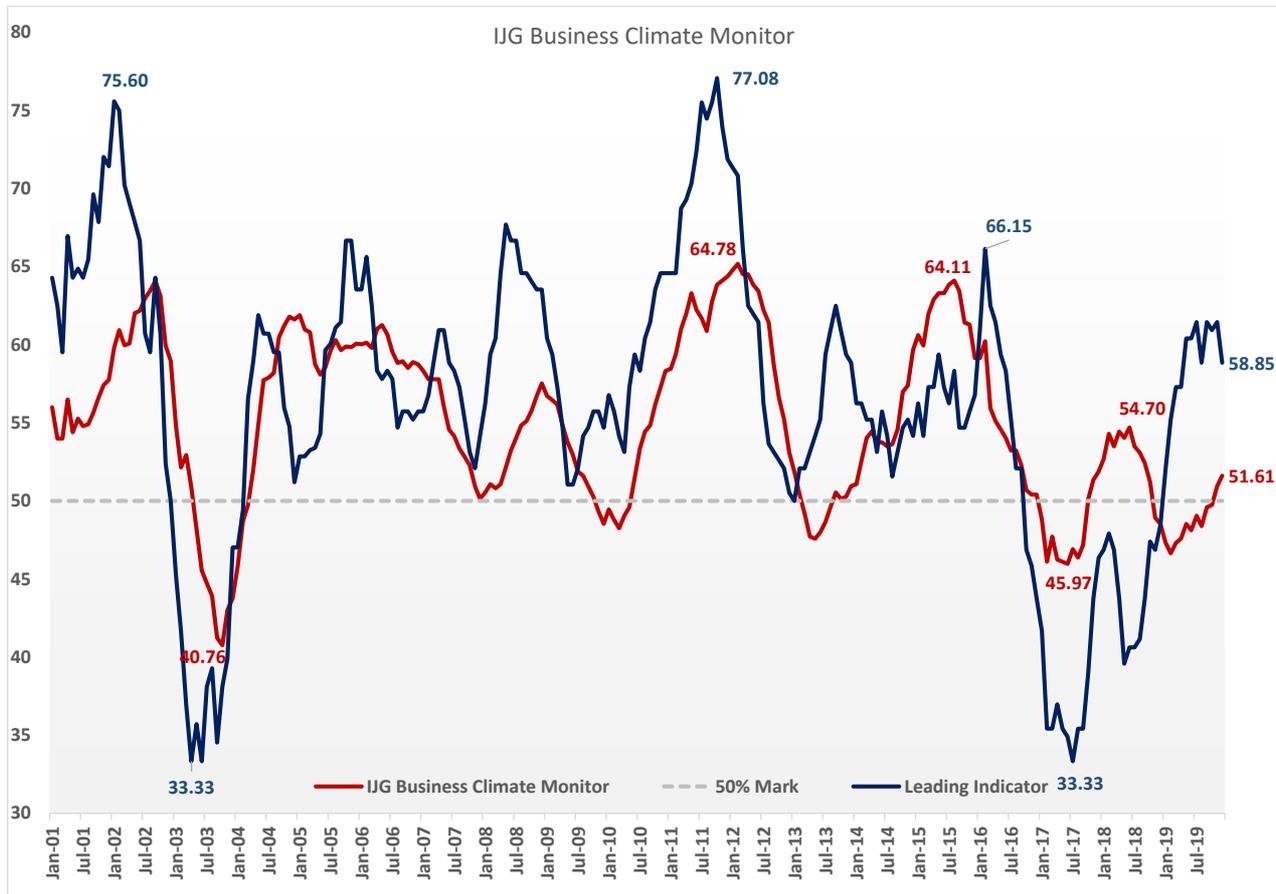




# BUSINESS CLIMATE MONITOR DECEMBER-19

Produced by Institute for Public Policy Research



The **IJG Business Climate Monitor** (BCM) remained above the 50% mark in December 2019 for a second month in a row - climbing to 51.61 points. It is the highest level since September 2018. In contrast, the Leading Indicator lost momentum and slipped back below 60 points to 58.85 points. Since the Leading Indicator moved back and forth during the second half of 2019, it remains to be seen whether the decline in December is a reversal of the upward trend. 18 out of the 31 indicators used to compile the BCM showed an improvement in December, while 13 indicators decreased.

The number of livestock marketed declined substantially by almost 13,500 to 16,282 in December, which is also far below December numbers for previous years. Both beef and lamb prices rose to their highest levels for the year. Beef prices ended the year at NAD44.76 per kg and lamb prices at NAD45.34 per kg. The number of livestock marketed as well as the prices are indicative of the toll the drought has taken this year. Production in the mining sector approached the year end on a positive note. Copper (1,545 tonnes) and gold (713 kg) recorded the highest production figures for 2019, while diamond production (149,032 carat) and uranium (622.45 tonnes) closed the year above monthly averages. Copper and gold prices firmed up, but uranium prices remained weak.

The builders' holiday in December had the usual affect on the value of building plans completed in Windhoek that dropped by almost NAD200 million to NAD36.4 million, which is, however, more than

double the value in December 2018. The value of building plans approved showed some promising increases to NAD166.4 million – well above December values in previous years. Vehicle sales declined to the second lowest number for 2019 closing the year at 714 – 314 passenger vehicles and 400 commercial vehicles. Both credit extended to individuals and to businesses increased slightly during the last month of the year to NAD61.4 billion and NAD41.4 billion respectively.

International tourist arrivals decreased to 15,352 tourists, which represents the third lowest figure for 2019. Namibia's trade balance, in contrast, improved significantly owing to a drop in imports by 29% to NAD7.6 billion, while exports declined by only NAD600 million to NAD7.7 billion. Consequently, Namibia recorded its first and only trade surplus for 2019 in December. The Namibia dollar (NAD) continued its appreciation against major currencies such as the US dollar and Euro. The number of new Close Corporations (558) registered dropped to the lowest level in December, while the number of new companies registered (119) was only exceeded in January and July 2019.

### 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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