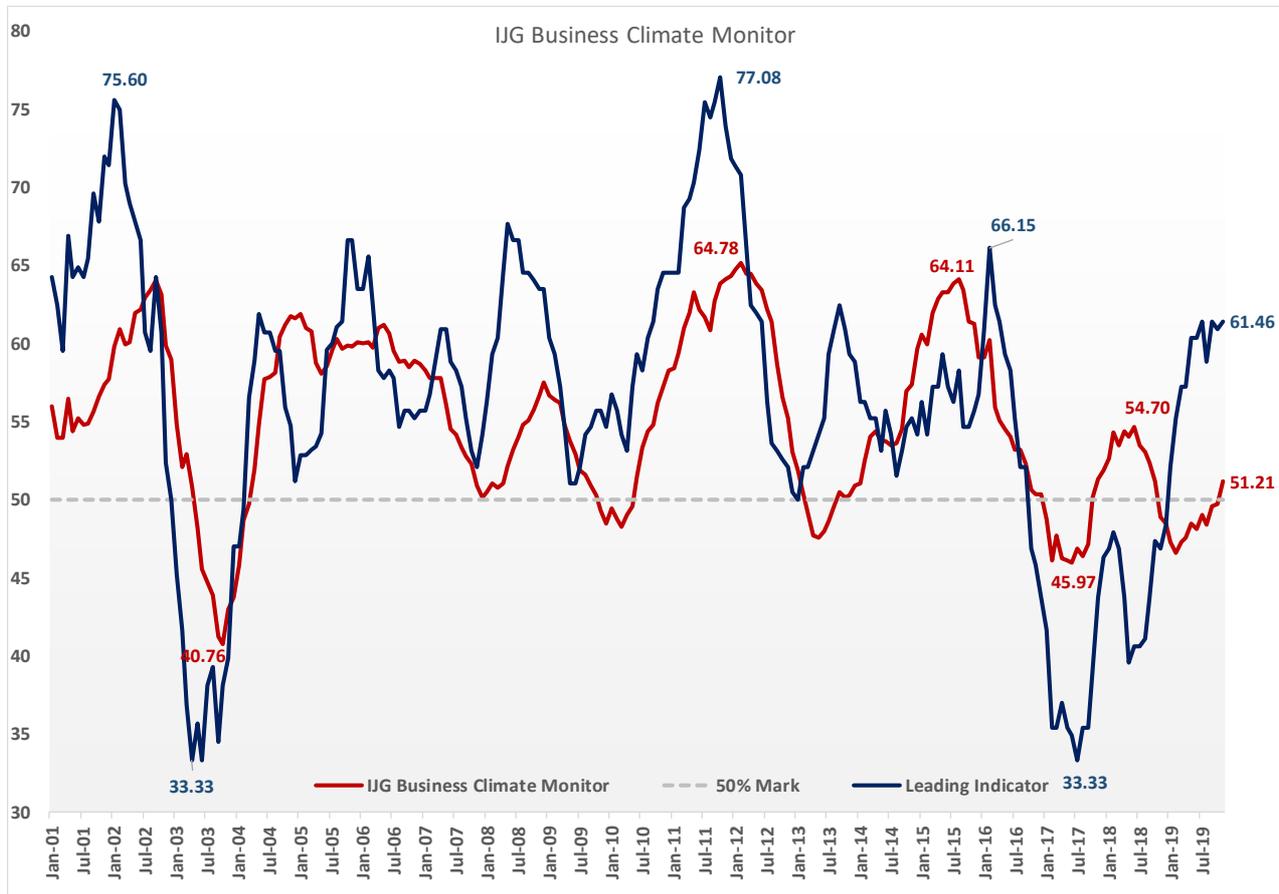




BUSINESS CLIMATE MONITOR NOVEMBER-19

Produced by Institute for Public Policy Research



The **IJG Business Climate Monitor (BCM)** passed the 50-point mark in November 2019 for the first time since October 2018, while the Leading Indicator remained elevated at above 60 points. The 50-point mark separates an economic contraction from an expansion. The BCM followed the Leading Indicator with an eleven-month lag and climbed to 51.21. The Leading Indicator moved up slightly to 61.46 in November to match the value for September 2019. The improvement suggests that the BCM will remain above the 50-point mark in December as well. 17 out of the 31 indicators improved during November, while 14 weakened.

The number of cattle marketed continued the downward trend that started in August 2019 and dropped to 29,615. Beef prices gained slightly to an average of NAD42.01 per kg, while lamb prices moved in the opposite direction losing NAD1.66 per kg to NAD41.59 per kg. Mineral production showed a mixed performance with copper production increasing to 1,428 tonnes and gold to 564 kg, while diamond production decreased by almost a third to 125,229 carat. Uranium production came also in at a lower level of 557.68 tonnes compared to 636.05 a month earlier.

The value of building plans completed in Windhoek more than doubled to NAD235.3 million, while the value of building plans approved fell slightly to NAD123.6 million. This, however, is still three times the value in November 2018, which could signal some hope for the construction sector. Vehicle sales, in contrast,

showed significant contractions on both a month-on-month and year-on-year basis. 347 passenger and 528 commercial vehicles were sold. Credit extended to the private sector increased owing to higher demand by individuals, while demand from businesses dropped minimally on a month-on-month basis.

The trade balance deteriorated during November because imports increased by some NAD360m to NAD10.70 billion as opposed to a decline in exports by NAD30m to NAD8.26 billion. The Namibia dollar appreciated further against the US dollar and reversed the depreciation against the Euro in October. The number of company, close corporations and defensive name registration all dropped as compared to October.

Overall, The return of the BCM into positive territory is indicative of a slight improvement in the business climate. It remains to be seen, whether these gains can be consolidated in the months ahead.

Note: We received updated data for some indicators, which resulted in the revision of previous values for the BCM.

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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