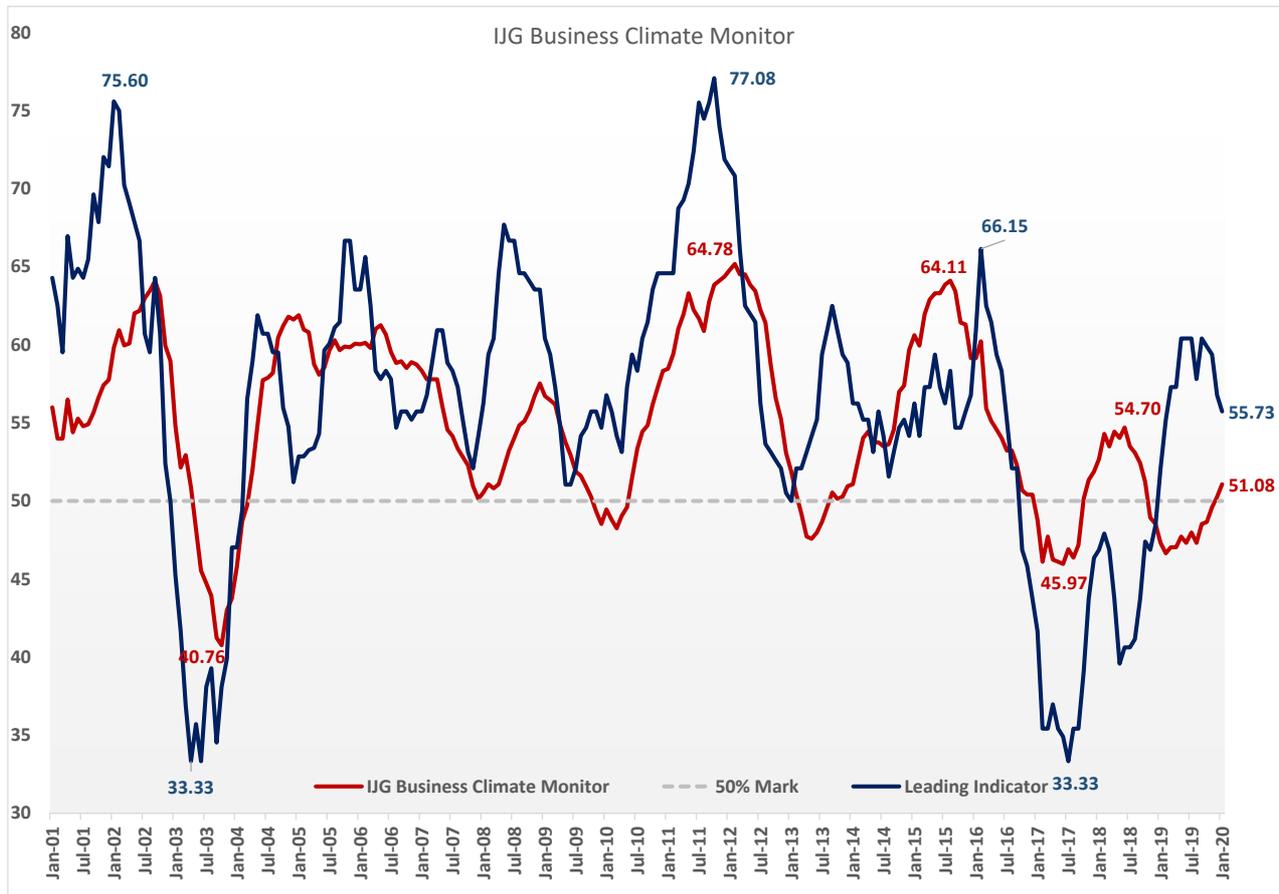




# BUSINESS CLIMATE MONITOR JANUARY-20

Produced by Institute for Public Policy Research



The **IJG Business Climate Monitor** (BCM) climbed further into positive territory in January 2020 to 51.08 points after moving above the 50-point mark in December 2019 for the first time since October 2018. It followed the Leading Indicator that commenced its ascent from deep in negative territory in June 2018. However, the Leading Indicator has reversed its upward trend since September when it peaked at 60.4 points and dropped to 55.7 points in January 2020. 15 out of the 31 indicators used to compile the BCM moved upwards, while 15 also moved downward with one remaining flat.

The livestock numbers marketed continued to drop and stood at 15,492 – the lowest level since September 2016. Beef prices rose to NAD 45.91 per kg reflecting a drop in supply. Lamb prices, in contrast, lost some ground compared to December and averaged NAD 45.16 per kg, which is still above the average price for 2019. The decline in copper and gold production was by far outweighed by a substantial increase in diamond production that rose by 35 percent to 201,663 carats in January. Diamond prices declined as did copper prices, while gold prices continued to rise.

The value of buildings completed in Windhoek dropped to the lowest level since January 2017 and stood at NAD 16.4 million, while the value of building plans approved increased to NAD 189.4 million. The number of vehicles sold started the year almost at the same level as in 2019, namely 671 compared to 666 in 2019. However, this time more commercial vehicles were sold than passenger vehicles. Credit extended to the

private sector rose slightly compared to December 2019 due to a stronger increase in credit extended to businesses, while credit extended to individuals declined by almost NAD 3 billion. Company registrations started the year on a much lower level than in 2019 and below the numbers seen in December 2019.

The number of tourist arrivals at the Hosea Kutako International Airport fell by about 800 to 14,514 reflecting the low season at the beginning of the year. Both the value of imports and exports decreased, but exports weakened faster thus leaving an increased trade deficit. Imports fell by some NAD 0.5 billion from NAD 8.1 bn to NAD7.6 bn, while exports dropped by almost NAD 1.7 bn to NAD 6.3 bn. The trade deficit widened significantly from NAD 74 million to NAD 1,226.5 million. After appreciating in November and December 2019, the Namibia dollar depreciated at the beginning of the year against major currencies.

### 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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