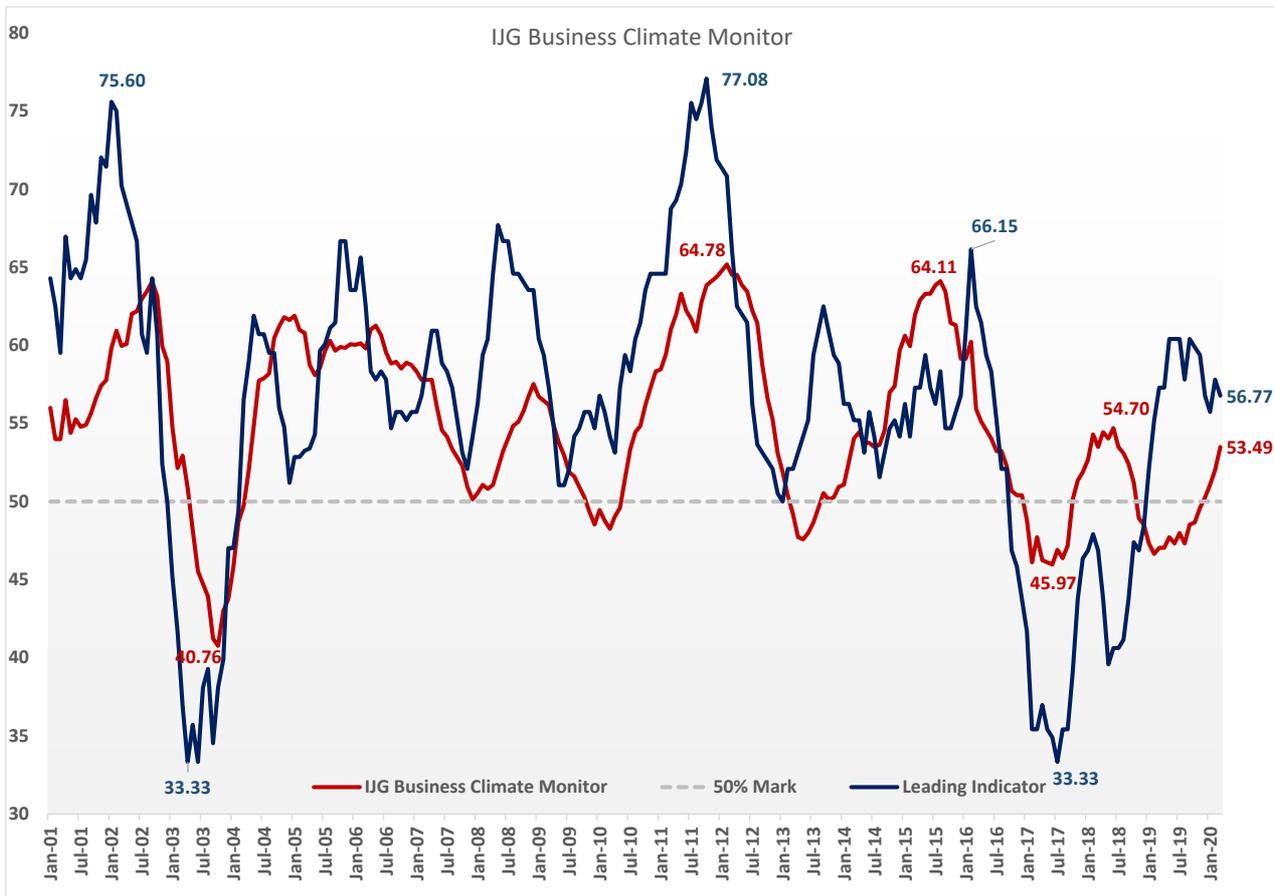




BUSINESS CLIMATE MONITOR MARCH-20

Produced by Institute for Public Policy Research



The **IJG Business Climate Monitor (BCM)** improved further to 53.5 points in March 2020 from 52.0 points a month earlier. The BCM remained well above the 50-point mark that separates an economic contraction from an expansion. The Leading Indicator, on the other hand, weakened to 56.8 points after gaining some ground in February – a foreboding of the COVID-19 related troubles to come. The upward movement of the BCM was caused by a near record number of indicators improving (20), while the value of eleven indicators decreased. The last time we have seen such a high number of indicators improving was in November 2017.

After a strong increase in February by almost 10,000, the number of livestock marketed dropped to by almost 2,000 to 23,303, because of good rainfall and hence improved grazing conditions. Beef prices rose only marginally to NAD45.55 per kg, while lamb prices gained more than NAD1.00 to average at NAD45.62 per kg. Copper and gold production continued the downward trend and dropped to 1,310 tonnes and 441 kg respectively amidst softening spot market prices. In contrast, diamond production by almost 30,000 carats to 185,891 carats in March 2020 mitigating the lower production in February to some extent.

Slightly fewer vehicles were sold in March (759) compared to February mainly due to lower demand for passenger vehicles that contracted by almost 30 vehicles to 318. Commercial vehicle sales ended the month eleven units lower at 441. The value of building plans completed in Windhoek rose sharply to NAD218.4 million from NAD41.5 million a month earlier, but the value of building plans approved decreased to

NAD142.5m from NAD224.8m. Demand for credit by the private sector declined further to NAD103,656 million from NAD103,780 million. A slight uptick in credit to individuals was outweighed a reduction in the amount of credit extended to businesses. Business registrations sent mixed signals: A strong increase in the registration of Close Corporations to 839 was mitigated by lower registrations of Companies (51) and Defensive Names (243).

International tourist arrivals at the Hosea Kutako International Airport reflected the first signs of the Covid-19 pandemic's global economic impact as well as Namibia's closure of her borders end of March. The arrivals dropped by more than 50 percent to 5,925 international visitors - the lowest number since June 2005. Namibia recorded the first trade surplus since a year amounting to NAD1.7 billion. The export value almost doubled from NAD5.3bn to NAD9.0bn, while imports contracted by NAD1.4bn to NAD7.3bn. Declining oil prices resulted in a lower petrol prices, but diesel prices remained unchanged for the ninth consecutive month. The Namibia dollar strongly depreciated by 14% against the US dollar and Euro reflecting investor sentiments that turned against emerging markets and looked for safe havens.

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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