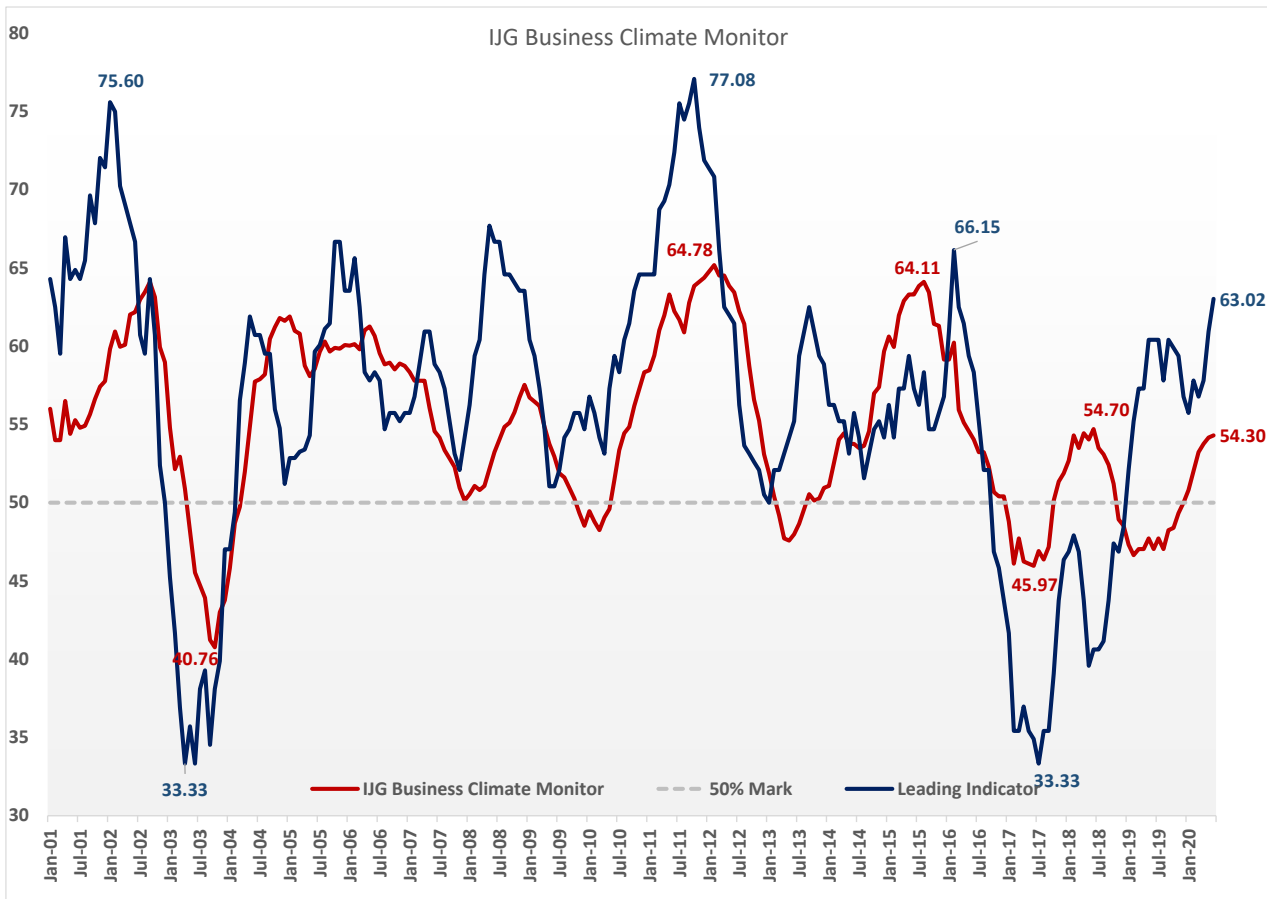




BUSINESS CLIMATE MONITOR JUNE-20

Produced by Institute for Public Policy Research



The **IJG Business Climate Monitor** (BCM) climbed a little bit higher in June 2020 to 54.3 up from 54.2 in May. The BCM is calculated on a 12-month average. The monthly value, in contrast, decreased to 51.6 compared to 61.3 in March and 54.8 in April and May. The Leading Indicator strengthened to 63.0 from 60.9 a month earlier, but also weakened on a monthly basis from 68.8 to 62.5. 16 of the 31 indicators improved during June as compared to 15 that deteriorated.

The agricultural sector is recovering from severe droughts over the past years that took a toll in particular on the livestock sector. The number of livestock marketed grew substantially in past years since the grazing could no longer sustain large herd sizes. With good rains this year, farmers have started restocking and subsequently, the number of animals marketed dropped by almost 50 percent during the first half 2020 as compared to the first half 2019. In June 2020, 19,195 animals were marketed, which is almost the same level as in May (19,168). Beef prices decreased to NAD43.38 from NAD44.11 per kg in May, but lamb prices increased from NAD45.13 in May to NAD46.00 per kg in June. Copper output declined to 981 tonnes in June from 1 206 tonnes a month earlier, while diamond production dropped by some 70,000 carat to 144,127 carat. Gold production showed no change and stood at 523 kg, while uranium output picked up substantially to 568.4 tonnes after a slump in May. Overall, mining output performed better in the first half of 2020 than in the same period in 2019. Although the value of exports decreased slightly to NAD7.2 billion from NAD7.5

bn in May, Namibia experienced the second monthly trade surplus owing to a significant decline in the value of imports to NAD6.9 billion. Overall, Namibia's trade deficit during the first half of this year dropped by 41% to NAD4.7 billion. Foreign visitor arrivals at HKIA showed a further improvement in June, despite borders still being closed, with 202 arrivals – this still represents a fraction of the normal number of arrivals. In June 2015, 15,106 arrived at the international airport.

On the domestic front: New vehicle sales improved further to a total of 767 from 470 in May driven by growth in both passenger and commercial vehicle sales. Likewise, the value of buildings completed and of building plans approved in Windhoek kept rising to NAD192.1 and 173.7 million respectively. Total credit extended to the private sector recovered after a decline in May to NAD102.7 billion with both credit extended to individuals (NAD58.9 billion) and to businesses (NAD43.1 bn) showing some strengthening. Business registrations improved sharply: The number of Close Corporations registered rose to the highest level this year of 711 in June, while 55 new companies and 289 defensive names were registered. The numbers indicate that business opportunities do exist despite the challenging circumstances. There was not much movement on the currency side, with the Namibia dollar appreciating slightly against the US dollar, but depreciating against the Euro. Inflation remained at low levels.

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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