THE NAMIBIAN ECONOMY

No. 37/June 2001

ISSN 1027-1805

A NEPRU VIEWPOINT

Published and distributed free of charge by:
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Business Climate Survey 2000/2001

This viewpoint highlights opinions and perceptions by business people concerning the business climate in Namibia based upon two Business Climate Surveys carried out by NEPRU in February/March 2001.

The formal business sector

In the 4th Business Climate Survey (BCS) a sample of businesses was asked for its views on the business climate, past, present and future. 1,197 businesses were randomly selected for the survey. However, only 198 businesses, or 17% responded to the survey. The low response rate will limit the use of the data, which for this reason will only be suitable for use at a high aggregate level.

Higher response from tertiary sector

The majority of the businesses that responded were from the Tertiary sector (71%), followed by the Secondary sector (16%) and lastly the Primary sector (13%). The tertiary sector was dominated by businesses involved in wholesale and retail activities as well as other services, which together accounted for 51% of the total responding companies.

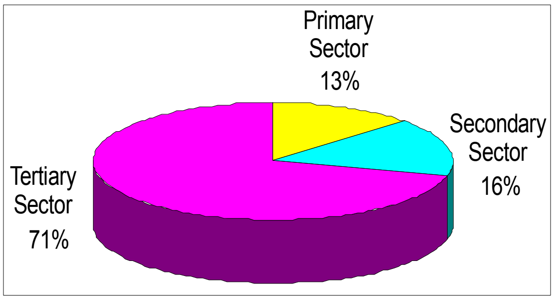

Figure 1: Response by sector (N= 198)

Response from businesses

Contrary to previous surveys, the majority of the responding businesses were small (53%) followed by medium (36%) and large (11%). However, although these results are based on the perceptions of the business owners, it compares well with the classification by number of employees as a proxy for the size of business.

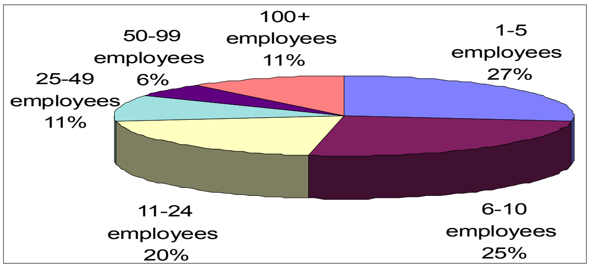

Figure 2: Response by number of employees (N= 198)

Few exporters

An average of 89% of the responding businesses sell their products in Namibia and around 77% of these sell only in Namibia. However, this is not surprising since most of the respondents were from the tertiary sector, dominated by either small and/or retail companies, besides the fact that most of the exporting from Namibia is done by primary producers. Meanwhile, as in the previous edition of the business climate survey, the European Union (EU) is still the most attractive export destination, possibly due to the trade agreements currently in place.

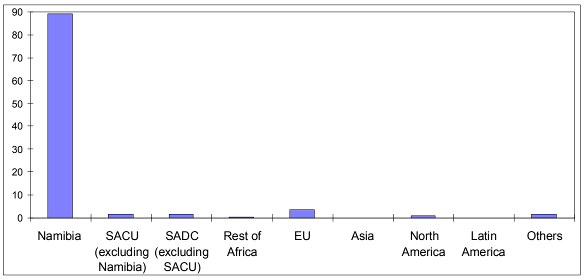

Figure 3: Distribution of sales by average number of companies (N= 195)

Large business – good business

The majority of respondents (42%) were undecided with regard to the prevailing business conditions. Meanwhile, about 24% expressed a positive perspective, and 34%, negative. However 41% of the larger businesses found the business climate favourable.

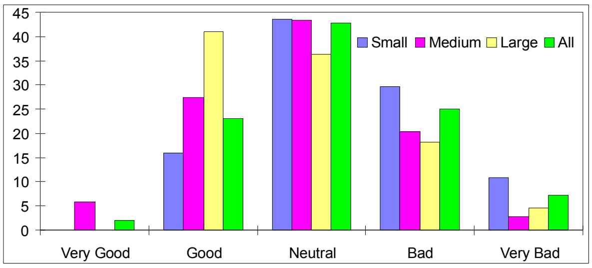

Figure 4: Opinions about existing business conditions by the size of business (N= 192)

Lower performance in 2000

Only about 41% of the businesses had experienced slight or strong growth in turnover during 2000 as opposed to 53% in 1999, whereas 34% saw a drop in turnover and the rest stagnated during the same period. Medium enterprises indicated they had performed well (50% grew) compared to small and large enterprises, of whom roughly 35% and 38% respectively had grown.

Most of the responding businesses (59%) chose to keep their employment levels unchanged during the year 2000, with only about 22% of firms indicating the number of employees had increased, while the rest indicated a decrease. Stagnation was more apparent in small and medium enterprises. In contrast, about 36% of the larger businesses had increased their employment levels.

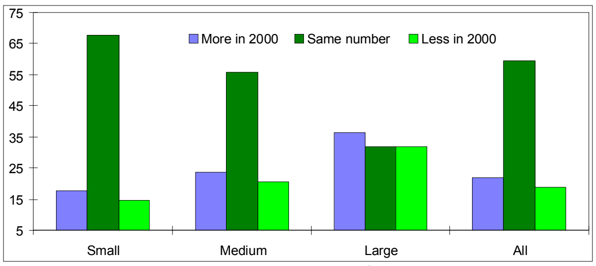

Figure 5: Employment by size of business, 2000 (N= 192)

Two sectors experienced either slight or considerably higher demand for their products during 2000: the secondary (38%) and tertiary (36%) sectors, while demand for most primary products remained unchanged. Overall, 37% of the businesses indicated that they had experienced either a slightly higher or a much higher demand for their products, thus a slight decline compared with 1999 (42%).

Crime, theft and skills still a concern

About 41% of respondents considered the scarcity of skilled labour to have a strong or very strong impact on their activities. Most affected was the secondary sector (50%), followed by the tertiary sector (40%). Qualified technicians and mechanics were identified as the skills most needed. On the other hand, 38% of the respondents felt that crime and theft have had a strong or very strong impact on their activities.

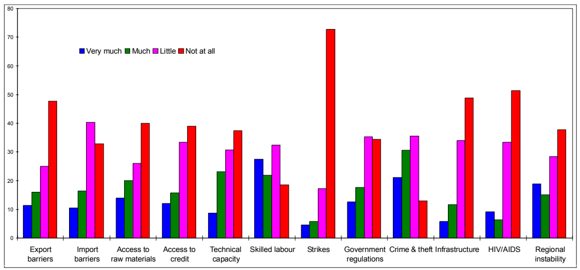

Figure 6: Impact of factors on business performance (based on individual factor observation)

Few investment opportunities

Low turnover and consequently low growth experienced during the year appears to have had an impact on capital investment undertaken during the year, as only 41% of respondents invested compared to 58% in 1999. However, most of the larger companies (about 71%) invested during the year, followed by the medium enterprises (48%), while only 30% of the small businesses did so. The results seem to suggest that the larger the business, the more likely it is to invest.

The majority of companies (63%) provided some form of training for their staff during 2000. Employees of larger companies benefited more than their counterparts in the medium and small establishments. For instance, about 95% of larger companies provided or aided training to their employees, whereas only 67% and 53% of medium and small businesses respectively indicated they had done so.

Performance unchanged in 2001

Only 23% of the responding businesses expected their performance to fall during 2001, while slight or strong growth was anticipated by 41% of the companies. The result is unchanged compared to 2000. Optimism reigns among larger companies (68%) followed by the medium companies (49%), while small companies are more cautious. Similarly, businesses in the secondary sector are more optimistic compared to the others.

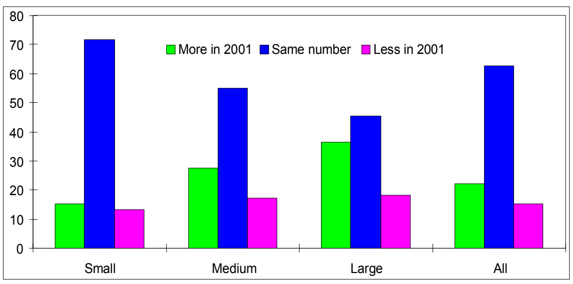

Figure 7: Expected employment in 2001 by size of business (N= 190)

The 2000 employment situation is likely to prevail during 2001, as only a few companies (about 23%) expect to increase the number of employees. The majority (62%) expected to remain with the same numbers, while the rest anticipated a decrease. A general trend in the responses seemed to be that the larger the size of the business, the higher the expectation of taking on more employees.

Only about 19% of the respondents anticipated a better business climate in 2001, compared to 32% who expected it to be worse, while nearly 50% thought it would be the same as in 2000. Though most of the sectors expected a similar situation, about 42% of businesses in the primary sector anticipated a worse climate.

Similar to 2000, few companies (34%) planned to make significant investments during 2001. However, it is likely that most of companies who invested during 2000 (more specifically the larger companies - about 77%) will do so in 2001.

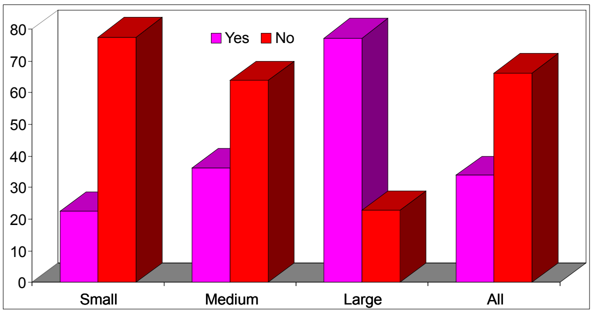

Figure 8: Expected investment in 2001 by size of business (N= 189)

As opposed to 63% in 2000, only 57% of the businesses have some form of training planned for their staff for 2001. However, the trend is unchanged compared to 2000, as the majority of larger companies (95%) plan to train their staff, while only about 66% and 43% of the medium and small companies respectively have any training planned for their staff.

Conclusions and recommendations

Generally, business conditions that existed in 1999 seem to have persisted during 2000, while prospects for 2001 are less bright. Small enterprises continued with poor performances and are generally more pessimistic, while large enterprises seem to do better, which echoes the findings of the previous BCSs. Skilled labour, crime and theft still feature as the most significant factors hindering the successful operations of the business community.

Based on the overall findings of the survey, the following recommendations can be made. The current composition of the economy is not desirable; i.e. the high concentration on wholesale and trade activities. Diversification needs to be encouraged. The continuing poor performance of small enterprises is worrying, and merits the consideration of the relevant ministry.

The informal business sector

The BCS for the informal sector was conducted as a pilot study in Windhoek's high-density suburbs of Katutura and Khomasdal, with 105 interviewed businesses.

Retail trading is the major activity found in the informal sector. Retailing activities include the selling of food products and imported goods such as clothes. Other activities in the informal sector include manufacturing, construction, and services such as motor repairs, panel beating, hairdressing and shoe mending.

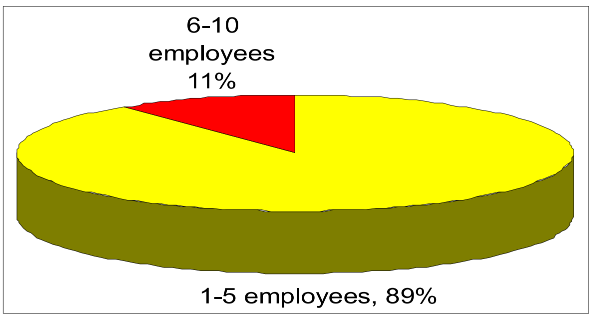

Figure 9: Percentage of People Employed (N=104)

More than 97% of the respondents perceive their businesses to be small. This confirms the tentative assumption that the sector is largely comprised of small businesses. Although some enterprises employ 6 persons or more, 89% of them employ only between 1 and 5 people.

The life cycle of informal businesses seems to be short. Only 36% had been in operation for more than 5 years. There seems to be no positive correlation between the number of years the company has been operating and the number of persons it employs.

Business condition the same in 2000

90% of the businesses in the survey felt that existing business conditions are fair or even good. In the year 2000, about 90% of businesses had the same number of employees as in 1999. About 40% of the businesses indicated that the business climate had been at least slightly better or better in 2000 compared to 1999, and 46% said that the climate had not changed since the previous year.

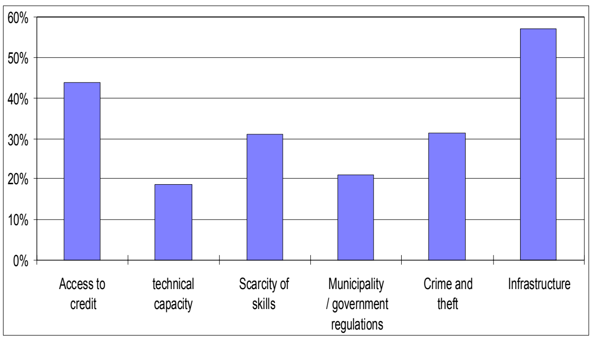

Figure 10. Factors with impact on business activities.

57% of the businesses indicated that the lack of proper infrastructure had a great or very great impact on business activities. Trading facilities are the most needed infrastructures. The municipality has erected structures with the aim of solving the problem, but this is still a major cause of concern. Limited access to credit was also indicated by 43% as a major factor that has a negative impact on the businesses.

Other significant factors that adversely affect informal businesses include scarcity of skills, government or municipal regulations, crime and theft, and technical capacity. Only a few of the business operators (16%) had had any basic business-related training.

More than 50% of the respondents had not made any significant capital investment in the year 2000.

Good business performance expected

At least 54% percent of respondents forecasted that they expected their business to grow during the year 2001.

About 12% of the respondents felt that they would employ more people in the year 2001 than in 2000. However, 85% anticipated that they would keep to the same number of employees in 2001. More than 41% of the businesses expected the business climate to be better in 2001.

Only 25% of all the businesses plan to have staff training this year, while most of them did not plan any training. Of the businesses interviewed, 58% of them planned to make some capital investment during the year.

Conclusions and recommendations

The informal business sector not only reduces the dependency burden on the government for employment, but more importantly it also helps to fight hunger and poverty.

The informal sector is characterised by many constraining factors, such as limited access to credit, lack of infrastructure, lack of skills, etc. that hinder growth within the sector.

Some of the problems hampering growth could be addressed through the provision of basic business management training to entrepreneurs. Investment by the Government in infrastructure for the informal sector has improved, but more needs to be done in order to improve the business environment for entrepreneurs.

Source:

Namibia Business Climate Survey 2000/2001 - main report

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Produced with the financial support of the African Capacity Building Foundation (ACBF)