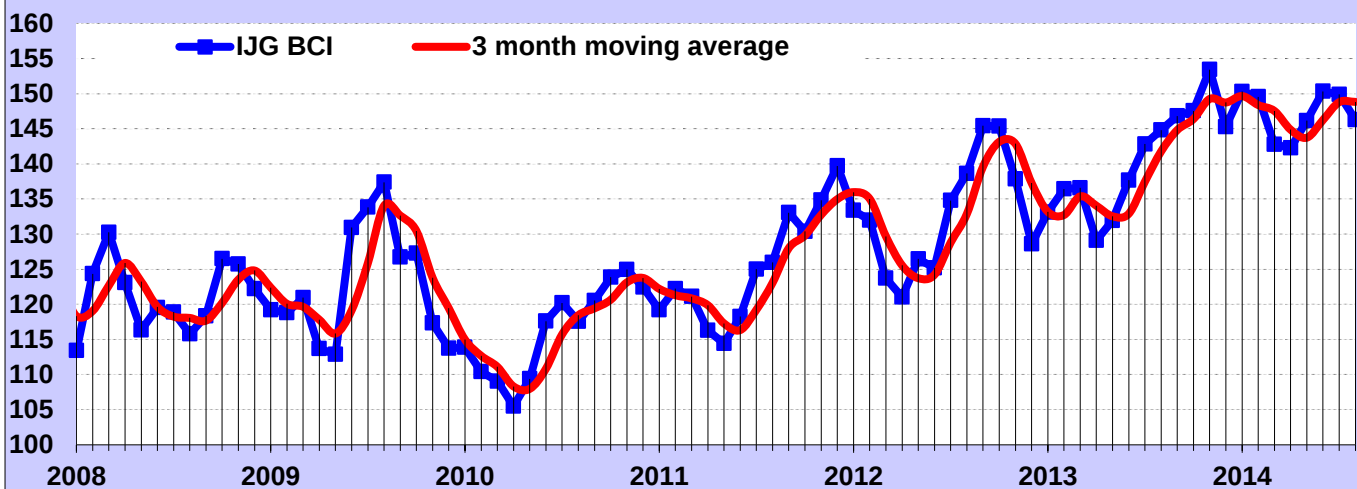




## The *IJG* Business Climate Monitor for August 2014 Produced by the Institute for Public Policy Research

### *Business Climate Monitor slows on account of building plans completed*

#### *IJG* Business Climate Index, August 2014 Produced by the Institute for Public Policy Research



The *IJG Business Climate Index* slowed in August following a decline in building plans completed, company registrations and vehicles sales, all of which contracted off an abnormally high base. Following a 3.6 point contraction, the index now stands at 146.3 index points – below the average level year-to-date, but well above the long term mean. The month-on-month contraction witnessed in August means that the three-month moving average trend line has flattened off for the first time since April 2014. Nevertheless, the expectation remains for the index to remain buoyant as the year closes out and, barring major macroeconomic surprises going forward, we could see further record highs on the index before the end of the year.

While notable declines were witnessed in the index sub-components of building plans completed, company registrations and vehicle sales, minor declines were also seen in the categories of fish prices, diamond prices and the interest rate index. The interest rate index declined on the back of an interest rate hike by the Bank of Namibia. This increase in interest rates is deemed negative for businesses, however necessary it may be for macro-economic stability, and thus is recorded as a negative in the Business Climate Monitor. On the other hand, strong expansion was seen in the categories of meat and metal prices, arguably the most important categories in the index given their relative weightings in Namibia's export basket. Additionally, the oil price declined, further improving the outlook for the business climate as lower oil prices are expected to be passed through to consumers through fuel prices over the coming three to six months.

Following the softening of a number of key indicators through August, all of the monitored indices and indicators turned negative when compared to the preceding month, a first for 2014. Nevertheless, on a quarter on quarter basis, all of the indices and indicators remain positive. The downturn during August is not viewed as cause for concern, but rather the inevitable outcome of the abnormally high base set in the index by its components over recent months. As such, while a downturn was witnessed in the *IJG Business Climate Index* in August, we do not note a major change in the business climate on the ground in the country, and remain of the view that the outlook for the country and her businesses continues to be positive.

|                               |   | Monthly |       |   | Quarterly |       |
|-------------------------------|---|---------|-------|---|-----------|-------|
|                               |   | Jul     | Aug   |   | Q2'14     | Q3'14 |
| <b>Business Climate Index</b> | ▼ | 149.9   | 146.3 | ▲ | 146.3     | 148.1 |
| <b>Investment Index</b>       | ▼ | 237.5   | 220.3 | ▲ | 221.8     | 228.9 |
| <b>Consumption Index</b>      | ▼ | 123.7   | 123.2 | ▲ | 122.8     | 123.4 |
| <b>Export Index</b>           | ▼ | 139.0   | 138.6 | ▲ | 137.8     | 138.8 |
| <b>Leading Indicator</b>      | ▼ | 204.1   | 200.8 | ▲ | 197.8     | 202.4 |
| <b>Coincident Indicator</b>   | ▼ | 127.8   | 125.3 | ▲ | 125.8     | 126.6 |

**Note on methodology:**

The Business Climate Index is based on 13 broad economic indicators that are likely to impact on the domestic business environment. All indicators have the same weight except for company registration data, which has a significantly lower weight to reduce its volatility on the overall Index. Data is collected on each indicator on a monthly basis. The indicators are as follows:

1. National Consumer Price Index (NCPI)
2. Unweighted exchange rate of the Namibia dollar against the US dollar and the euro
3. Deflated average price of beef and mutton
4. Deflated average price of white fish
5. Deflated average metal prices
6. Unweighted average of selected OECD leading indicators (as a proxy for diamond price)
7. Total of commercial vehicle sales
8. Real value of building plans completed
9. Real value of building plans approved
10. The NSX local index
11. Total number of business registrations
12. Real private sector (businesses and individuals) credit extension
13. Average prime lending rate
14. Average deflated price of international crude oil

The **Business Climate Index** is based on all indicators.

The **Investment Index** is based on commercial vehicle sales, real value of building plans completed, NSX local index, company registrations, real credit extension (business), average prime lending rate, and the future oil price.

The **Consumption Index** is based on the National Consumer Price Index, the Namibia dollar/US dollar exchange rate, the OECD leading indicators (diamond price proxy), passenger vehicle sales, real credit extension (individuals), the average prime lending rate, and the oil spot price.

The **Export Index** is based on the Namibia dollar/Euro exchange rate, the deflated average price of beef and mutton, the deflated average price of white fish, deflated average metal prices and the OECD leading indicators (diamond price proxy).

The **Leading Indicator** is based on deflated average metal prices (future), commercial vehicle sales, real value of building plans approved, the NSX local index, defensive name registrations, the average prime lending rate, and the future oil price.

The **Coincident Indicator** is based on the National Consumer Price Index, the Namibia dollar/US dollar, the Namibia dollar/Euro exchange rate, the deflated average price of beef and mutton, the deflated average price of white fish, deflated average metal prices (spot) and the OECD leading indicators (diamond price proxy), passenger vehicle sales, real value of building plans completed, company registrations, real credit extension (business and individuals), and the oil spot price.