

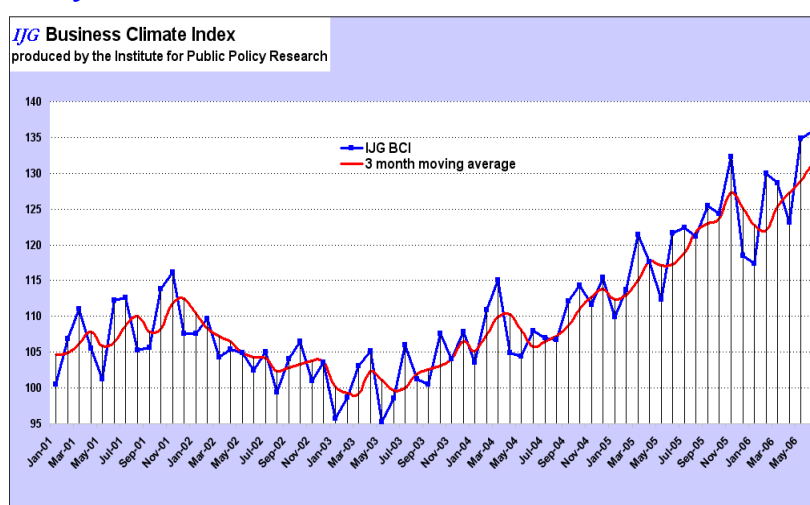


## The *IYG* Business Climate Monitor for June 2006

*Produced by the Institute for Public Policy Research*

The *IYG* Business Climate Index for month of June rose marginally by 0.9 points to a historic record level of 135.8 points. Similarly, the survey revealed an improved business outlook for both sets of respondents.

### The *IYG* Business Climate Index, June 2006



One of the key developments in the month of June was the 50 basis points rise in the Bank repo, resulting in the prime-lending rate ascending to 12.25%. As the rate of inflation continues on an upward trend, owing mainly to the highly volatile international crude oil prices, more interest rate hikes are to be expected during the remainder of the year. The month of June also saw a retreat in metal prices though the impact might have been cushioned by the depreciation of the Namibian dollar against major currencies. Despite these somewhat negative developments the *IYG Business Climate Index* rose by 0.9 points to reach the

highest figure of 135.8 points in the history of the index. Apart from the depreciation of the local currency, a rise in total credit extension, fish prices and total vehicles sold provided support to the rise in the index.

Similarly, a rise in passenger and commercial vehicles also saw the **consumption and investment indices** register a positive outcome. However, a consistent rise in the inflation rate, prime lending rate, as well as oil prices means upward movement in the former could come to an end soon. The same could be said of the **investment index**, where the interest rate hike is likely to impact on credit extension, vehicle purchases, and property development and thereby capping investment outcomes. Meanwhile, that a fall in metal prices has an impact on business confidence should be seen in the context of its impact on the **export** and the **leading indices** which both declined during the month of June.

On a quarterly basis, most indices have reached higher levels in the second quarter of the year compared to the first quarter. Among the notable developments has been the revival in fish prices, continued rise in international oil prices as well as the steady gains in the overall NSX index.

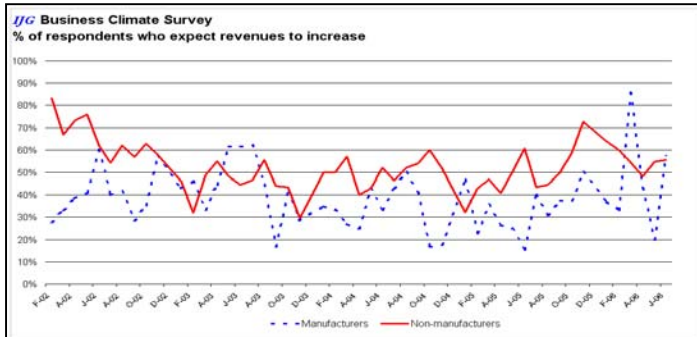
Looking ahead, it is expected that the inflationary impact of the current high international oil prices will continue to dampen the business environment.

		Monthly			Quarterly	
		June	May		2 <sup>nd</sup> quarter 06	1 <sup>st</sup> quarter 06
<b>Business Climate Index</b>	▲	135.8	134.9	▲	131.3	125.4
<b>Investment Index</b>	▲	166.6	160.7	▼	156.5	159.9
<b>Consumption Index</b>	▲	124.2	122.8	▲	125.8	124.4
<b>Export Index</b>	▼	135.1	137.1	▲	130.3	107.2
<b>Leading Indicator</b>	▼	177.6	194.2	▲	174.9	159.1
<b>Coincident Indicator</b>	▲	129.8	126.3	▲	126.1	119.6

## The *IJG* Business Climate Survey for May 2006

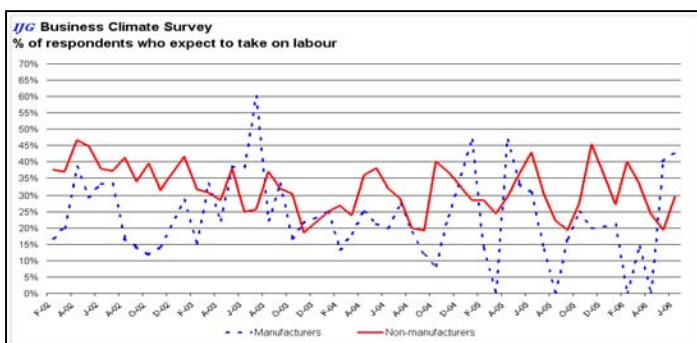
The *IJG Business Climate Survey* asks 50 top businesses in Namibia across all major sectors of the economy to reply to four questions on revenues, employment, investment and prevailing business conditions. In addition to this sample, members of the Namibian Manufacturers Association (NMA) are also surveyed. For the June survey, a total of 34 questionnaires were returned of which 7 were from manufacturers.

### Q1: How do you expect your revenues to change over the next 12 months: decrease, stay the same or increase?



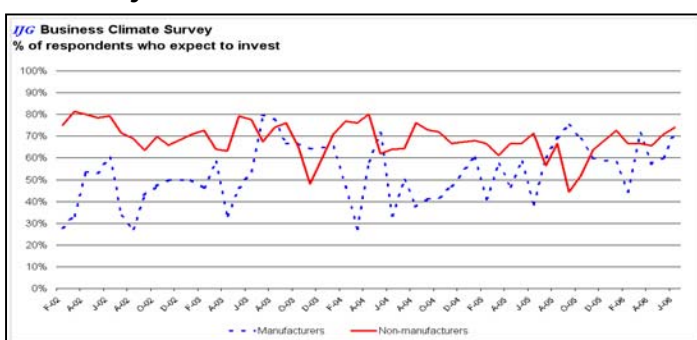
Over half (56%) of the respondents expect an increase in revenues in the next 12 months, thus slightly up from 50% in May. Among these, manufacturers were more optimistic (4 out of 7) compared to non-manufacturers (56%). The rest anticipate no change (41%) or a decline (3%).

### Q2: How do you expect your workforce to change over the next 12 months: shed labour, remain the same or take on labour?



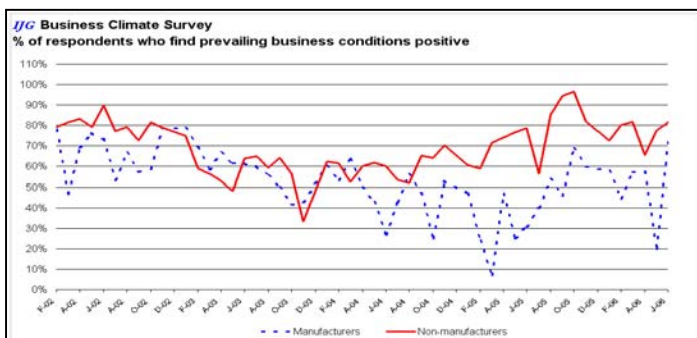
The percentage of respondents who anticipate adding to their respective employment levels rose to 32%, (highest for the year), from 22% in the previous month. Similarly, those expecting a reduction declined from 14% to 6%, whereas the majority (62%) anticipate no change. This overall improvement is also reflected in the optimism expressed by both respondents (see adjacent graph).

### Q3: Do you intend to invest in new plant and equipment (excluding inventories) over the next 12 months: yes or no?



The proportion of respondents planning to invest rose to 74% from 69% in May. The June figure is now the highest figure since September 2003. Nevertheless, no major changes were observed between the two sets of respondents.

### Q4: How do you find prevailing business conditions for your business: very negative, negative, positive or very positive?



The level of optimism improved from 70% in the previous month, with 80% of the respondents rating current business as generally positive. It is now exactly four years since the figure of 80% or higher was reached. As the adjacent graph shows, the level of optimism is enjoyed by both sets of respondents.

