

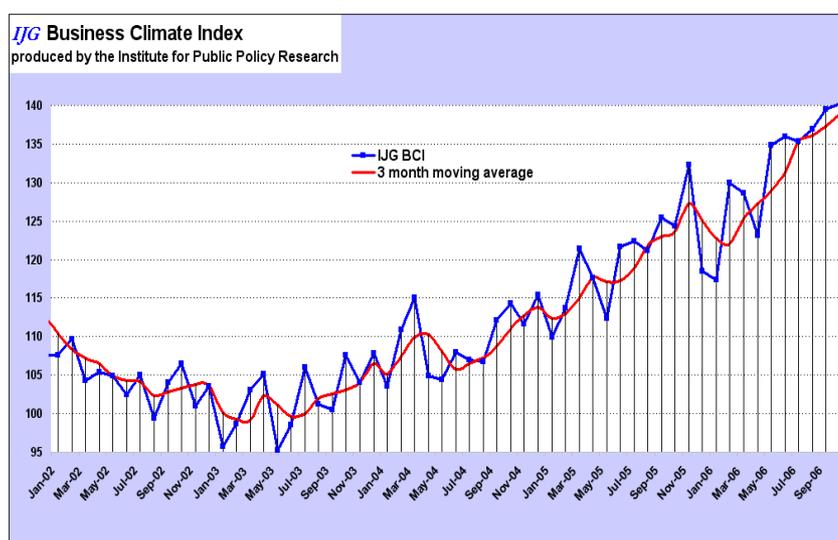


The *IJG* Business Climate Monitor for October 2006

Produced by the Institute for Public Policy Research

The *IJG* Business Climate Index for October ascended to 140.2 points from 139.5 points recorded in the previous month. On the other hand, the survey revealed a combined slight improvement in terms of revenue expectations, employment, and investment but a less favourable business environment with higher inflation expectations averaging 6.0% in the next three quarters.

The *IJG* Business Climate Index, October 2006



Three issues were prominent during the month of October namely; a 50 basis points increase in the repo rate, a recovery in the Namibian dollar from losses of the previous two months, and a further fall in the international Brent oil price. The latest increase in the repo rate brings to 150 basis points increases for the year to October, whereas indications are for a further upward adjustment during the next Monetary Policy Committee (MPC) meeting in early December. On the other hand, the recovery in the local currency can be partially associated with the recent findings that the South African current

account deficit is overstated by payments to SACU member countries by South Africa. Since all SACU members (except Botswana) are part of the Common Monetary Area (CMA) such payments do not require foreign currency to effect. Altogether, the impact of the appreciation in the currency coupled with a rise in vehicle sales and meat prices swayed the *IJG Business Climate Index* into positive territory by 0.7 points. Similarly, all sub-indices (with the exception of the **Export Index**,) registered positive outcomes. However, the latter result could be attributable to a decline in the spot prices of copper and the currency appreciation.

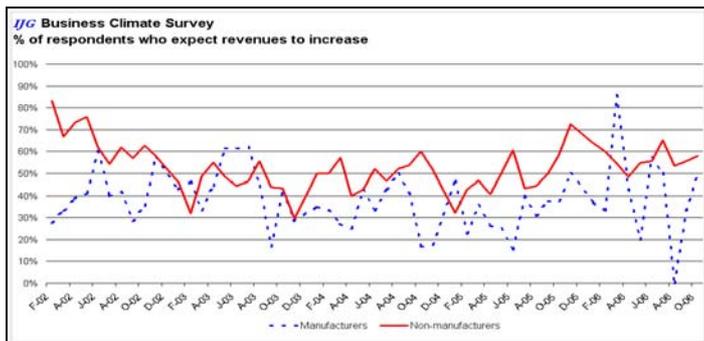
		Monthly			Quarterly	
		October	September		3 rd quarter 06	2 nd quarter 06
Business Climate Index	▲	140.2	139.5	▲	137.3	131.3
Investment Index	▲	165.8	165.2	▲	166.0	156.5
Consumption Index	▲	121.0	119.4	▼	120.4	125.5
Export Index	▼	148.4	149.6	▲	141.9	130.8
Leading Indicator	▲	184.9	183.7	▲	181.7	175.2
Coincident Indicator	▲	134.0	133.5	▲	130.8	126.1

The *IJG* Business Climate Survey for October 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

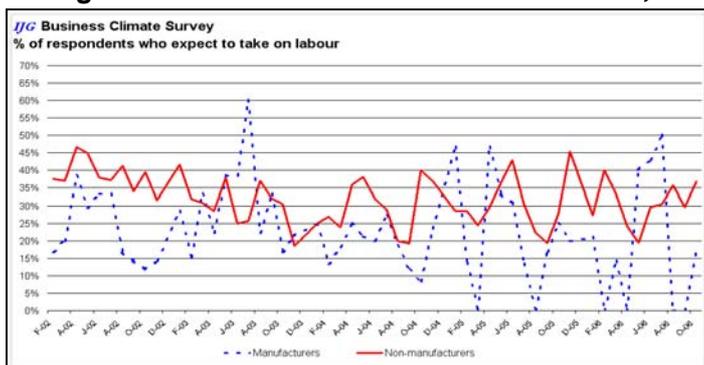
surveyed. For the October survey, a total of 25 questionnaires were returned of which 6 were from manufacturers.

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



There was little change in revenue expectations for the current month with more than half (56%) of respondents expecting an increase in revenue. However, the percentage of respondents anticipating a decline remained unchanged from the September figure (12%). Among the groups, manufacturers were slightly more optimistic (58%) compared to non-manufacturers (50%).

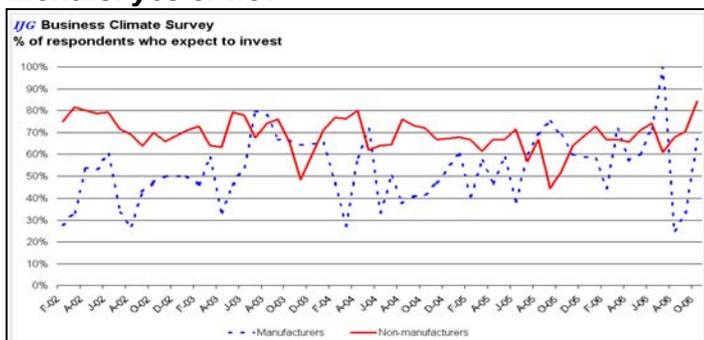
change over the next 12 months: shed labour, remain the same or take on labour?



Q2: How do you expect your workforce to

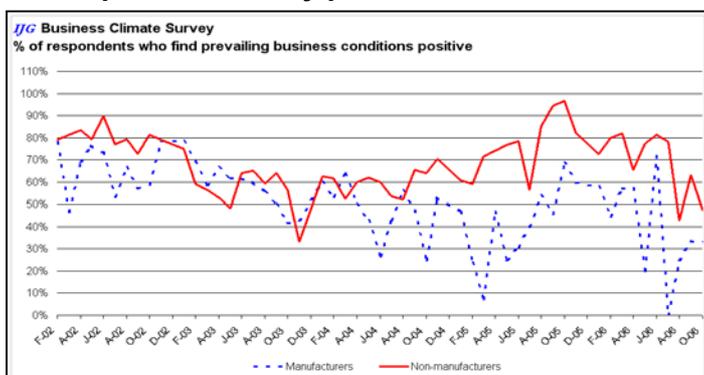
As in the previous months, the October survey shows that a majority (60%) of the respondents are still keen on retaining their current workforce. However, only 8% (24% in September) plan retrenchments whereas about a third (32%) intends to employ more. As per the adjacent graph, non-manufacturers were more eager on taking on labour than their counterparts.

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



The proportion of respondents intending to invest edged higher for the current month to 80% from 64% in the preceding month. Non-manufacturers remained more optimistic (84%) than manufacturers (67%).

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



Compared to the previous month (58%), the level of optimism among respondents seems to have slowed with less than half (44%) favouring the current business environment. However, the percentage of respondents not in favour is largely the same (16%) compared to the previous month (15%). Individually, a significant change was observed among non-manufacturers with only 47% being optimistic compared to 63% in the previous month whereas the situation remained unchanged for manufacturers (33%).



Inflation expectations

The Bank of Namibia in partnership with *IJG* and IPPR commissioned a project aimed at gauging the expectations of business leaders with regard to the future movement in the national inflation rate. A questionnaire was designed where respondents are given the actual inflation rate of the last three quarters including the average of the preceding year and then asked to indicate their expected inflation in the next three quarters and average for the current year. In the current month, a lower total of 16 businesses responded to the question and results are summarised in the table below. Evidently, respondents still view future inflation outcomes on the upside in the next three quarters and even higher than estimates of the past three months.

