

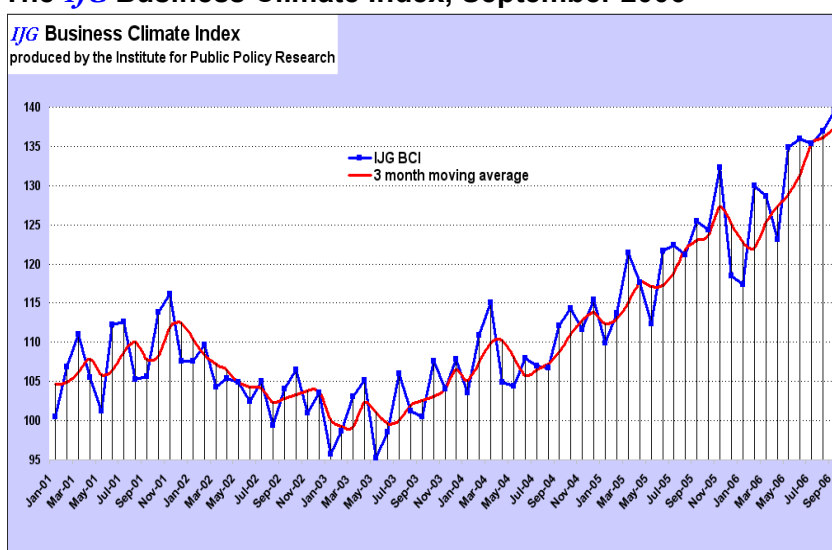


The *IYG* Business Climate Monitor for September 2006

Produced by the Institute for Public Policy Research

The *IYG* Business Climate Index for September rose by 2.6 points to reach another record level of 139.5 points. As in the previous month, the survey revealed a rather lower proportion of respondents expecting an increase in revenue, and those intending to take on labour, with manufacturers being the more pessimistic of the two groups. On the other hand, inflation expectations remained largely unchanged from forecasts of the previous month.

The *IYG* Business Climate Index, September 2006



The spot prices of international Brent oil continued to fall during the month of September shedding 13.2% of its monthly average from US\$70.03/barrel (August) to US\$60.76/barrel (September). As predicted in the previous month, the Namibian dollar continued to fall against major currencies on account of fears due to the huge current account deficit accrued by the South African economy. Other components moving into a positive direction were meat and fish prices as well as the local index of the Namibia Stock Exchange (NSX). Altogether, these propelled the *IYG Business Climate Index* to yet another record

level of 139.5 points. Despite this notable upward shift however, the **Investment** and **Consumption indices** registered negative growth for the month owing mainly to a drop in credit extended to businesses, a rise in general prices as well as a drop in both passenger and commercial vehicle purchases during the month. Looking ahead, it is expected that these indices will remain under pressure due to the high inflationary environment and the subsequent corrective measures in the form of monetary tightening.

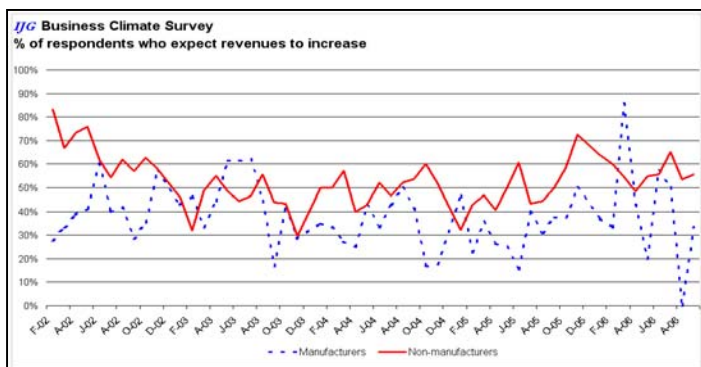
		Monthly			Quarterly	
		September	August		3 rd quarter 06	2 nd quarter 06
Business Climate Index	▲	139.5	136.9	▲	137.3	131.3
Investment Index	▼	165.5	166.3	▲	166.0	156.5
Consumption Index	▼	119.4	122.4	▼	120.4	125.5
Export Index	▲	149.6	139.8	▲	141.9	130.8
Leading Indicator	▲	184.0	181.8	▲	181.7	175.2
Coincident Indicator	▲	133.5	130.9	▲	130.8	126.1

The *IYG* Business Climate Survey for September 2006

The *IYG 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

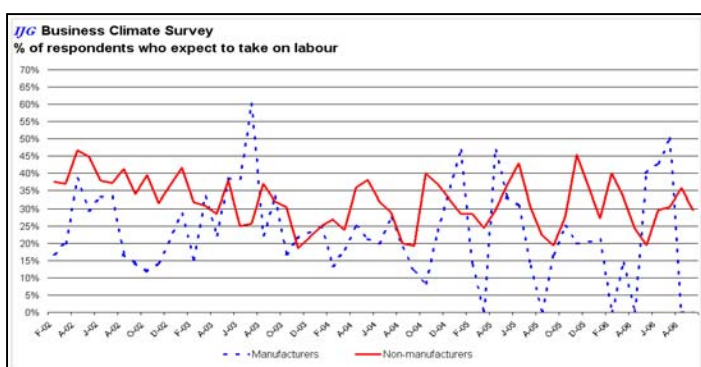
surveyed. For the September survey, a total of 33 questionnaires were returned of which 6 were from manufacturers.

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



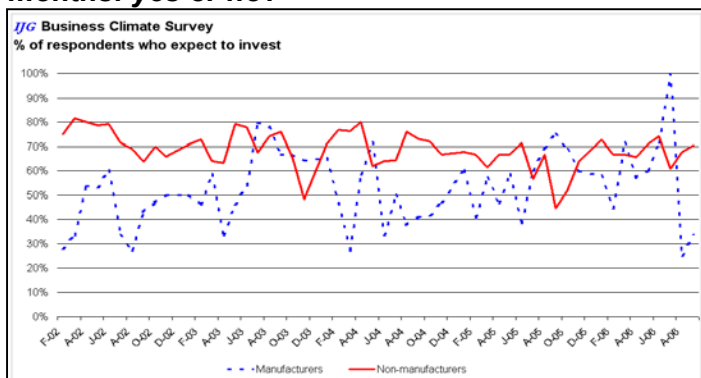
No significant change was observed among respondents anticipating improvement in revenues, with the percentage of non-manufacturers rising to 56% from 54% in the previous month and only 33% manufacturers. Overall, 52% anticipate an upward change in revenues, while no change is anticipated by 36% of the respondents.

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



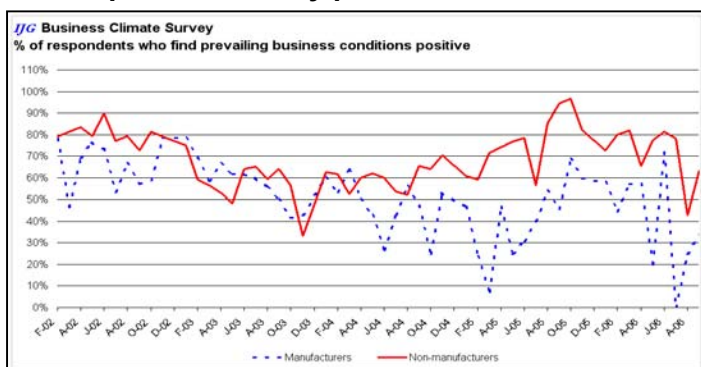
The percentage of non-manufacturers intending to take on labour declined to 30% (from 36%), whereas no manufacturer plans any further employment. Combined, a majority (52%) expect no changes, whereas 24% plan retrenchments.

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 non-manufactures intending to invest remained higher for the current month (70%), but very low among manufacturers (33%). Overall, 64% of respondents intend to invest. As pointed out in the previous edition, this positive investment outlook, though one sided, augurs well for the imminent high interest rate environment.

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



Unlike in the previous month (41%), a majority of respondents (58%) find prevailing business conditions as generally positive. Individually, non-manufacturers are more optimistic (63%) as opposed to only 33% of manufacturers.

* New



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 total, 24 businesses responded to the question and results are summarised in the table below. Despite a fall in international oil prices, and the concomitant measures by the Monetary Authorities to curb inflation, business leaders still view future inflation outcomes on the upside in the next three quarters. This is reflected in the figures for the survey results of the current month where average inflation expectations are foreseen to be half a percentage point higher than the forecasts in August. Both the inflation expectations for August and September peaked in the fourth quarter of 2006 with a mild decline in the inflation rate expected for the first quarter of next year. The former could be understood in the context of a threat emanating from the depreciation of the Namibian dollar against major currencies, which is likely to push up the import cost of fuel supplies and thereby the inflation rate.

