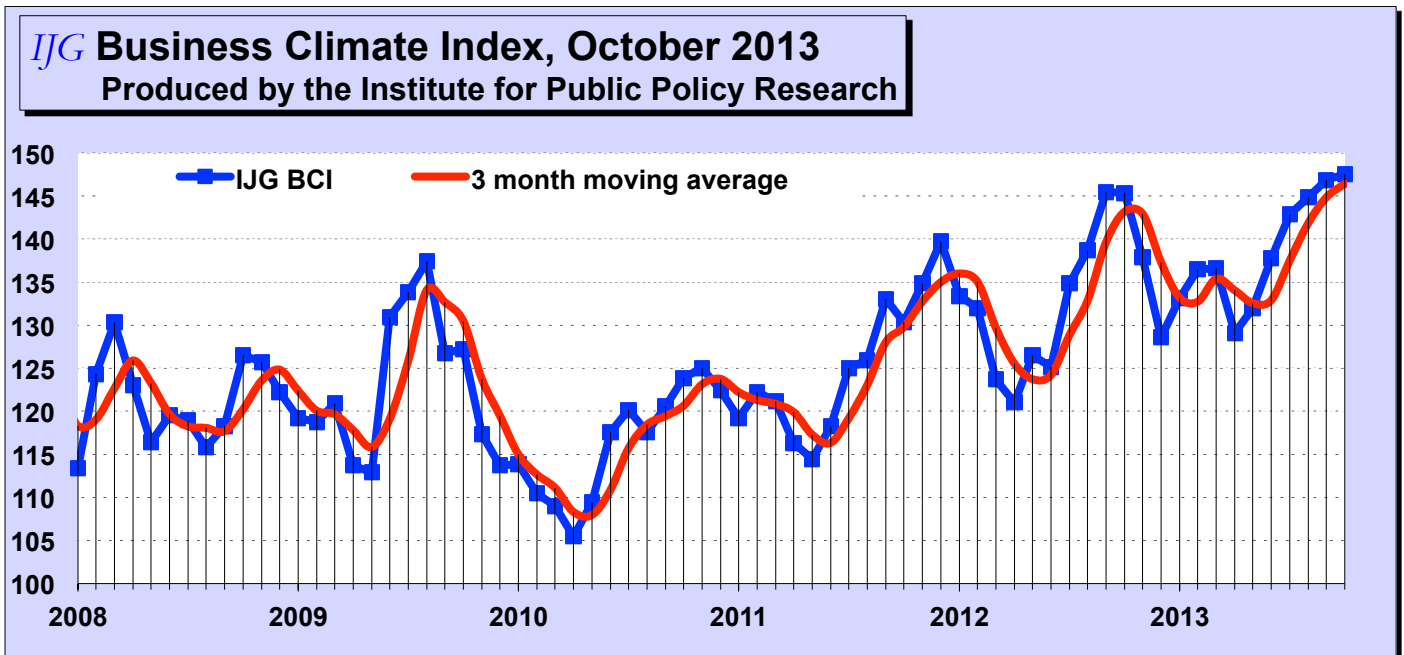




The *IJG* Business Climate Monitor for October 2013 Produced by the Institute for Public Policy Research

Leading indicator suggests positive outlook for 2014



The ***IJG Business Climate Index*** increased by 0.8 index points between September and October 2013 – from 146.8 to 147.6 points overall. The new level represents the highest level registered by the index since its inception, and is the second record breaking level in as many months. Following the rebasing of the Namibia Consumer Price Index, the Business Climate Index too has required rebasing. The new basket of goods that makes up the Namibian Consumer Price Index generally results in lower inflation, due to the smaller food component, which results in a lower inflationary discount for the index indicators, which in turn pushes the Business Climate Index up marginally.

In October, the Investment Index expanded by 3.1 index points. This expansion was due to strong growth in the Namibia Stock Exchange's Local Index, which grew by 10.2 index points. Additionally, strong growth in credit extension to businesses, on the back of historically low interest rates, further bolstered the increase in the index. Strong expansion was also experienced in commercial vehicle sales, partly attributed to the purchase of commercial vehicles by the mining sector and purchases by government agencies. Decreases in inflation, the US dollar exchange rate and international oil prices were offset by increased vehicle sales and credit extension to individuals leading to a 2.6 points rise in the Consumption Index. As such, the Consumption Index now stands at 119.1 points, up from 116.5 points in September.

The Export Index was the only index to experience a contraction in October, falling by 0.1 index points, to 132.8 points. Every component of the Export Index expanded in October, with the exception of white fish prices, which contracted substantially. The price of metals, price of meat and the diamond price proxy all experienced growth, however sizable declines in the prices received for hake resulted in a decline of 3 percent in the fish index, which in turn resulted in an overall decline in the Export Index.

The Leading Indicator Index experienced the greatest growth over the period under review, expanding by 3.9 index points. This illustrates an expectation of an improved business climate going forward, which is commensurate with the expectation of improvement in the European and US economies over the next 6

months. As such, the strong **IJG Business Climate Index** level of 147.6 not only illustrates a bullish business climate currently, but that further improvement is expected going forward.

		Monthly			Quarterly	
		Sep	Oct		Q2'13	Q3'13
Business Climate Index	▲	146.8	147.6	▲	132.9	144.8
Investment Index	▲	211.0	214.1	▲	190.0	213.4
Consumption Index	▲	116.5	119.1	▲	113.6	115.1
Export Index	▼	132.9	132.8	▲	125.2	130.0
Leading Indicator	▲	185.1	189.0	▲	169.8	181.9
Coincident Indicator	▲	125.4	126.0	▲	115.1	123.3

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:

- National Consumer Price Index (NCPI)
- Unweighted exchange rate of the Namibia dollar against the US dollar and the euro
- Deflated average price of beef and mutton
- Deflated average price of white fish
- Deflated average metal price
- Unweighted average of selected OECD leading indicators (as a proxy for diamond price)
- Total of commercial vehicle sales
- Real value of building plans completed
- Real value of building plans approved
- The NSX local index
- Total number of business registrations
- Real private sector (businesses and individuals) credit extension
- Average prime lending rate
- 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.