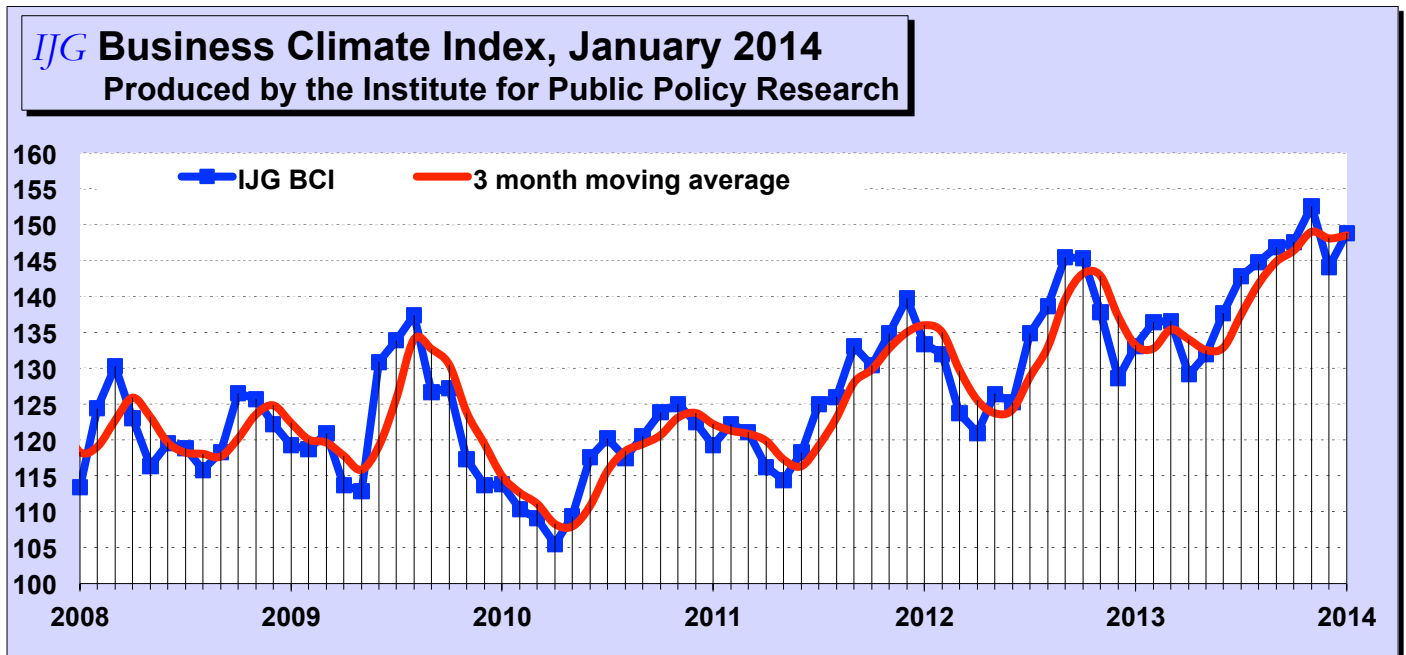




## The *IJG* Business Climate Monitor for January 2014 Produced by the Institute for Public Policy Research

**January index recovers from seasonal downturn in December**



The *IJG Business Climate Index* expanded by 4.7 index points in January 2014 following a decline of 8.5 points the previous month. As such, the overall index now stands at 148.8 points. The increase in the index is on account of a large number of index components that expanded by relatively small amounts. Nine of the fifteen sub-indices increased, while one remained unchanged and the remainder declined.

A strong start to the 2014 rainfall year, following poor rains in 2013, meant that farmers held back on stock sales through January, and as such meat prices increased substantially, boosting the meat price index by some 5.5 points. At the same time as a result of sizable depreciation of the Euro against the Namibia Dollar through December and January, the Euro exchange rate index expanded by 5 points. Following a seasonal decline, vehicle sales rebounded from 1,190 units in December to 1,499 units in January. Finally, rises in global oil prices drove an increase in the average oil price index of 1.7 points in January. On the negative side, declining commodity prices for zinc and copper resulted in a slight softening of the metal price index, from 124.4 points to 121.7 points. Additionally, the companies index saw a significant decline, from 657.7 points in December to 522.5 points in January, while the building index declined by 2.9 points in the same period.

The Investment Index, Consumption Index, Export Index and the Leading and Coincident Indicators all showed increases in January. The strong expansion in the leading indicator bodes well for business in Namibia over the next six months, while the rise in the export index indicates a positive external environment for Namibia's exports, despite the witnessed decline in mineral prices. All told, the *IJG Business Climate Index* has expanded once again in January, following a slight decline in December due to seasonal factors, and the current business environment and outlook, remain very positive.

		Monthly			Quarterly	
		Dec	Jan		Q4'13	Q1'14
<b>Business Climate Index</b>	▲	144.1	148.8	▲	148.1	148.8
<b>Investment Index</b>	▲	207.3	218.1	▲	216.3	218.1
<b>Consumption Index</b>	▲	111.3	119.9	▲	119.1	119.9
<b>Export Index</b>	▲	136.0	138.3	▲	132.8	138.3
<b>Leading Indicator</b>	▲	183.0	187.6	▼	189.0	187.6
<b>Coincident Indicator</b>	▲	122.2	127.8	▲	126.0	127.8

#### 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 prices
- 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.