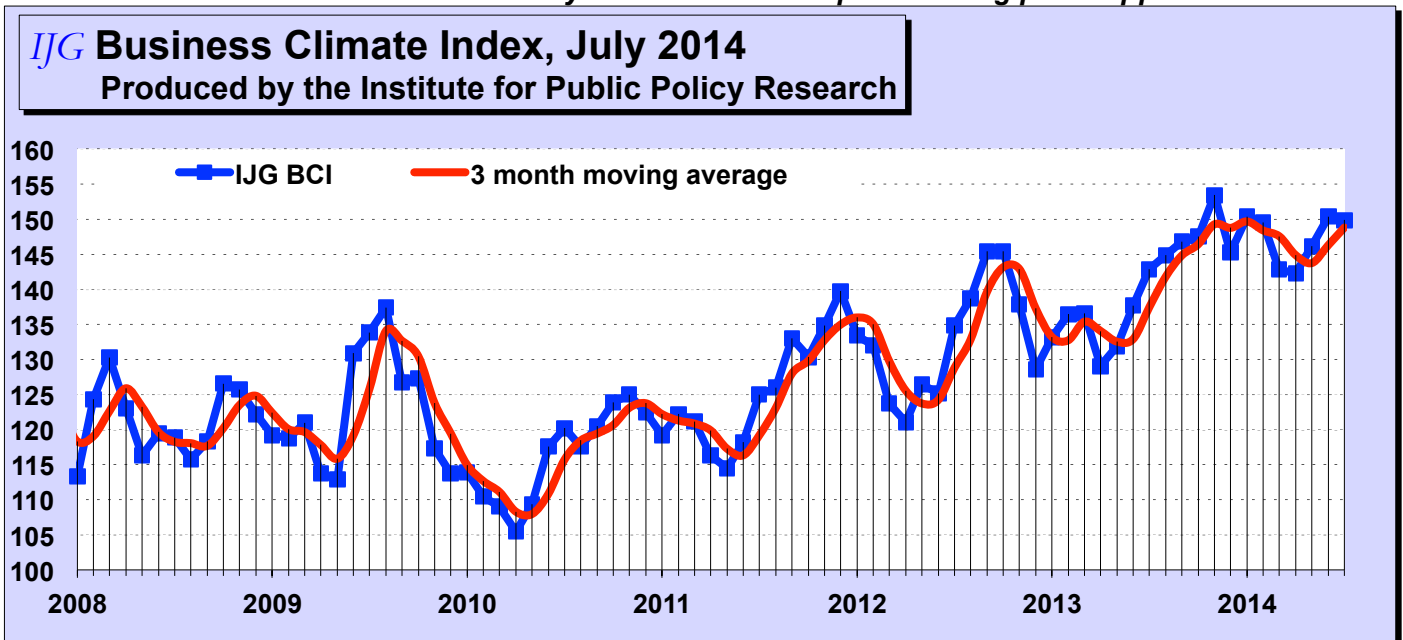




The *IJG* Business Climate Monitor for July 2014 Produced by the Institute for Public Policy Research

Business Climate Monitor stutters in July on account of drop in building plans approved



The *IJG Business Climate Index* declined, albeit marginally, in July, following a decline in the value of building plans approved on a monthly basis. Following an expansion of 4.2 points in June, the index declined by 0.5 points in July. As such, the index now stands at 149.9 points, a notable increase of 4.9 percent when compared to the level seen in July of 2013. The slight downward movement in the index in July was primarily on account of a decline of N\$104m in the value of building plans approved during the month, relative to June. This value of building plans approved was the lowest seen in the past 12 months. However, this is expected to be transitory with approvals picking up again next month.

During the month under review, a major increase in company registrations was witnessed, both for closed corporations (up 21 percent month on month) and defensive names (up over 100 percent month on month). This increase is likely to be on account of improved administration of company registrations following the launch of the Business and Intellectual Property Authority by the Ministry of Trade and Industry. Further, this increase in company registrations speaks to the current positive business climate in the country, and is a positive leading indicator for business activity over the next year. Additionally, vehicle sales once again hit record levels in July, the fourth such event in 2014, with 1919 vehicles sold during the month. This strong growth in vehicle sales was one of the key drivers prompting the Bank of Namibia to hike interest rates by 0.25 percent in August in order to dampen vehicle import levels and protect the country's reserves.

While notable developments were seen in these indicators, the majority of the remaining indicators witnessed little change through July 2014. Nevertheless, the current business climate remains positive, on account of expansive fiscal and monetary policy and the on-going construction boom in the country.

The *IJG Business Climate Index* slowed marginally in July, by 0.5 points, to a level of 149.9. Nevertheless, on a quarterly basis, the index remains well above the average level seen in the second quarter.

		Monthly			Quarterly	
		Jun	Jul		Q2'14	Q3'14
Business Climate Index	▼	150.4	149.9	▲	146.3	149.9
Investment Index	▲	234.0	237.5	▲	221.8	237.5
Consumption Index	▲	123.4	123.7	▲	122.8	123.7
Export Index	▲	138.6	139.0	▲	137.8	139.0
Leading Indicator	▼	206.4	204.1	▲	197.8	204.1
Coincident Indicator	▼	128.0	127.8	▲	125.8	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:

1. National Consumer Price Index (NCPI)
2. Unweighted exchange rate of the Namibia dollar against the US dollar and the euro
3. Deflated average price of beef and mutton
4. Deflated average price of white fish
5. Deflated average metal prices
6. Unweighted average of selected OECD leading indicators (as a proxy for diamond price)
7. Total of commercial vehicle sales
8. Real value of building plans completed
9. Real value of building plans approved
10. The NSX local index
11. Total number of business registrations
12. Real private sector (businesses and individuals) credit extension
13. Average prime lending rate
14. 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.