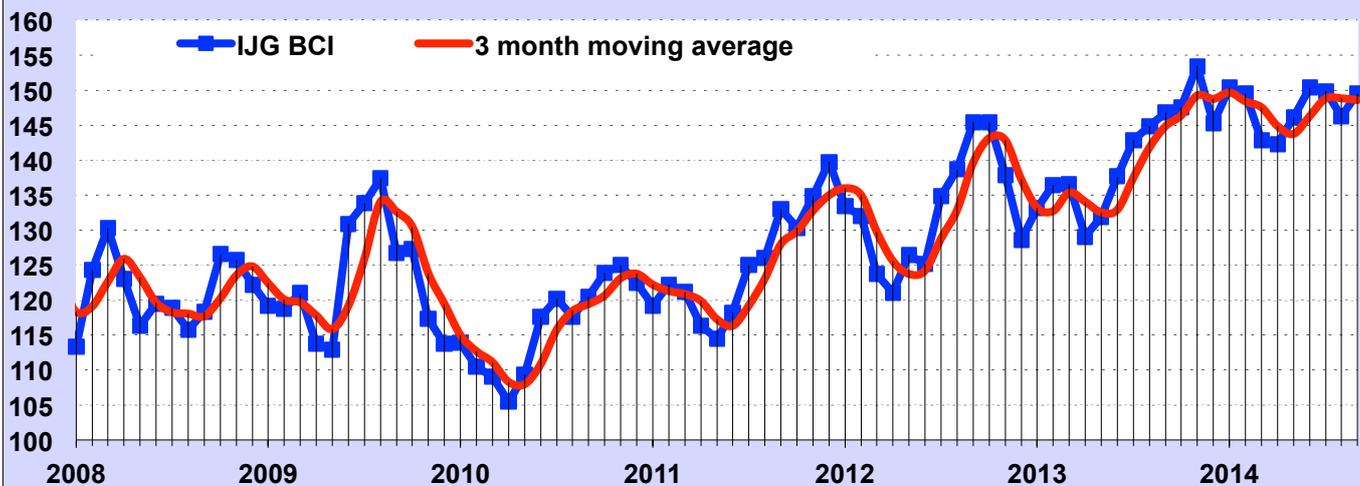




The *IJG* Business Climate Monitor for September 2014 Produced by the Institute for Public Policy Research

Business Climate Index edges upwards as oil prices decline and vehicle sales spike

IJG Business Climate Index, September 2014 Produced by the Institute for Public Policy Research



The *IJG Business Climate Index* edged upwards in September, following a brief slowdown in August due to weak building plans figures. This uptick was expected as evidence on the ground remains indicative of a bullish outlook for the Namibian economy as the year closes out. The index now stands at 149.6 points up from 146.3 in August.

The primary reasons for the pickup in the index during the month were the falling oil price and further close-to-record-level vehicle sales. On the back of a weak global economy, oil demand has seen notable declines over the past quarter, as global supply remains elevated due to increasing US production and an increasing inability of OPEC to control global supply levels and prices. As such, the Brent crude oil price has fallen from over U\$110 per barrel in June to U\$95 in September, and continued to fall through October. On the vehicle sales front, total vehicle sales of 1,912 were witnessed during the month, the second highest level seen this year. 2014 has, in general, been a record year for vehicle sales as monthly-record level sales have been set and broken four times during the year. These abnormally high sales volumes come about as a result of both increased vehicle purchases by government on account of the coming election and the unusually high level of mining-sector development due to the on-going construction of three major mines in the country.

While a number of key index indicators softened throughout August, a rebound in the index was witnessed in September, largely on account of strong growth in vehicle sales, and a softening of the global oil price. Building plan figures remain weak, however, but are expected to pick up going forward. In addition, the investment and export indicators recovered from their August weakness, as did the leading indicator, signalling a positive longer-term outlook. On a quarterly basis, all of the key indicators remain positive bar the consumption index, which has declined marginally in the third quarter when compared to the second quarter, largely driven by the aforementioned weakening building plan figures. As expected, the downturn witnessed in the *IJG Business Climate Index* in August was temporary. The outlook remains positive with the possibility of all-time highs on the index before year-end.

		Monthly			Quarterly	
		Aug	Sep		Q2'14	Q3'14
Business Climate Index	▲	146.3	149.6	▲	146.3	148.6
Investment Index	▲	220.3	238.3	▲	221.8	232.0
Consumption Index	▼	123.2	120.7	▼	122.8	122.5
Export Index	▲	138.6	140.8	▲	137.8	139.4
Leading Indicator	▲	200.8	212.9	▲	197.8	205.9
Coincident Indicator	▼	125.3	124.8	▲	125.8	126.0

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.