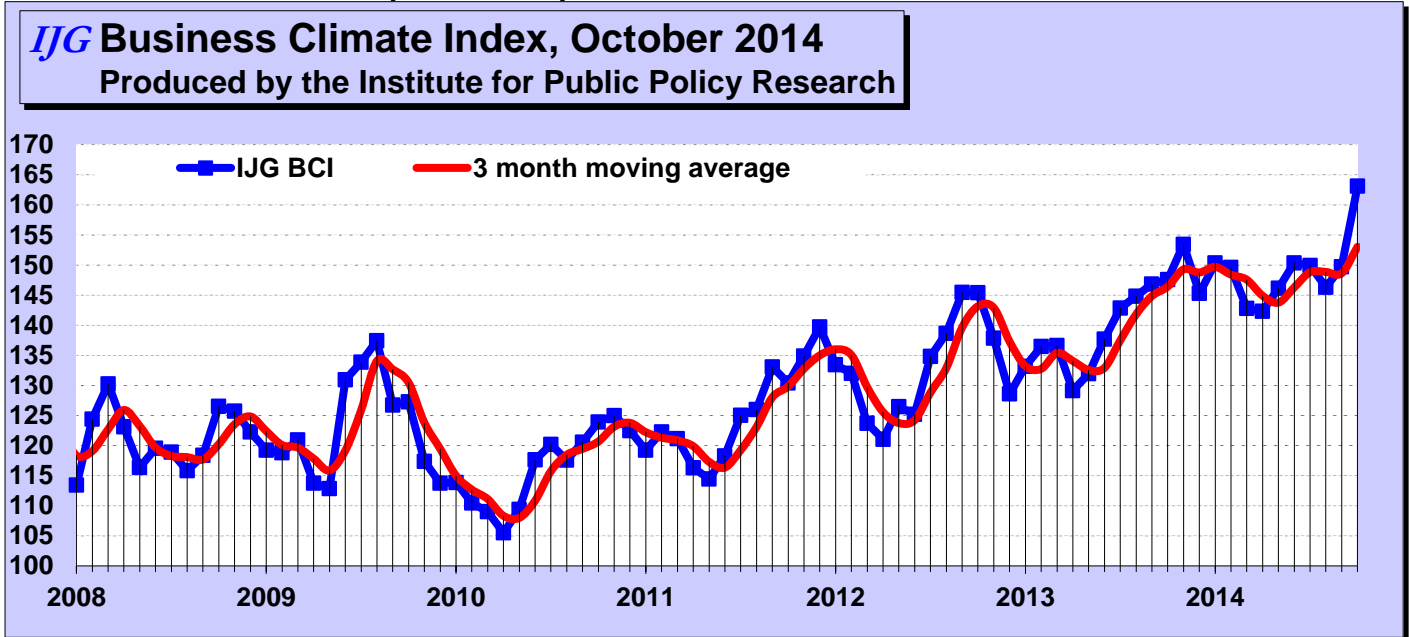




The *IJG* Business Climate Monitor for October 2014 Produced by the Institute for Public Policy Research

Business Climate Monitor spikes on oil price declines and vehicle sales



The *IJG Business Climate Index* spiked to a new all-time high in October as predicted in earlier Business Climate Monitors. Following this strong increase, the index now stands at 163.1 points, up 9.0 percent month on month and 10.5 percent year on year. This index level is an all-time high, and a notable 6.3 percent above the previous high of 153.5 points. The strong up-move was driven by a number of factors, notably oil prices, company registrations, building plans and vehicles sales.

Through the month the oil price slumped 9.4 percent on the back of a weak global demand and persistently high levels of supply both from OPEC and non-OPEC countries. As such, after a four-year period of prices around or above U\$100 per barrel, the October end price fell to U\$86 per barrel, the lowest level since November 2010. This major decline in oil price should be reflected in fuel prices in Namibia in the next two months, while food prices should also see a decline within the next 12 to 18 months as lower input costs are passed through to sales prices.

October saw vehicles sales surpass the 2,000 mark for the first time, with 2,092 vehicles sold from local dealers through the month. Nearly 60 percent of the sales were commercial vehicles, many of which were purchased by the three mines currently under construction in the country. In addition, government spent heavily on vehicles in the lead-up to the November elections. However, much of this sales volume is attributable to household vehicle purchases, reflecting the exceptional strength of consumers at this current point in time. On the building plan front, the sub-index jumped over 90 percent during the month largely due to base effects, while company registrations expanded to 1,888 new registrations, up from 1,755 the preceding month. This increase in registrations is partially attributable to the new online registration system and is illustrative of thriving business activity in the country. Few index components saw declines during the month in question, and all witnessed declines were minor in magnitude.

A major spike in the *IJG Business Climate Index* was witnessed in October, taking the index to an all-time high. This is broadly in line with the situation witnessed on the ground in the country, where consumer power has ramped up dramatically over the past year, largely due to major FDI flows and accommodative macroeconomic policy.

		Monthly			Quarterly	
		Sep	Oct		Q3'14	Q4'14
Business Climate Index	▲	149.7	163.1	▲	148.6	163.1
Investment Index	▲	238.3	265.2	▲	232.0	265.2
Consumption Index	▲	120.7	126.6	▲	122.5	126.6
Export Index	▼	141.1	139.6	▲	139.5	139.6
Leading Indicator	▲	213.0	216.7	▲	206.0	216.7
Coincident Indicator	▲	125.0	135.2	▲	126.0	135.2

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.

