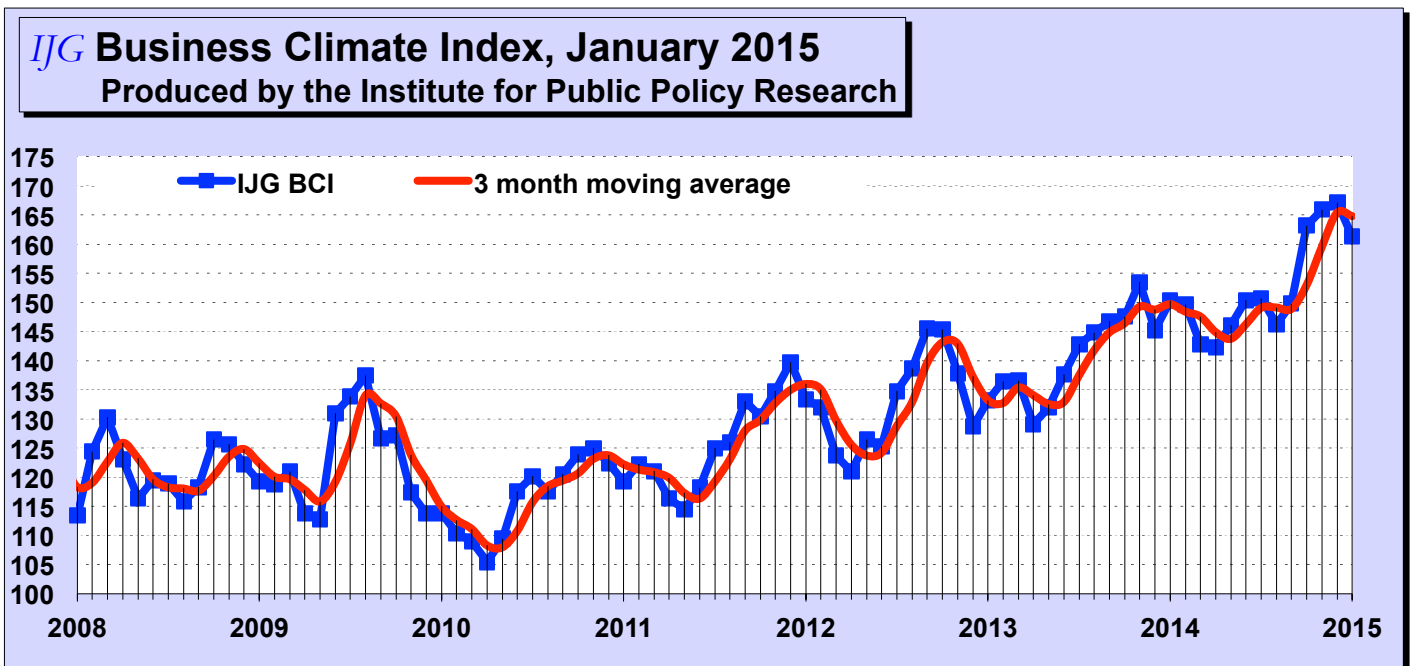




## The *IJG* Business Climate Monitor for January 2015 Produced by the Institute for Public Policy Research

**Business climate index comes off all-time highs, dropping 5.9 points**



The *IJG Business Climate Index* reversed in January after posting three consecutive all time highs in October, November and December. Following this reversal, the index now stands at 161.3 points, from 167.2 in the preceding month. The decline was driven by a number of factors, notably a weakening Euro vis-à-vis the Rand and other currencies, falling mineral prices, and a decline in vehicle sales and building plans approved and completed.

The Euro continued to weaken through January as divergent economic growth and recovery drove the relative attractiveness of the US and some emerging market economies over Europe, resulting in currency flows away from Europe to these jurisdictions. In addition, more than six years after a similar initiative was launched in the US, the European Central Bank in January announced a quantitative easing programme which will begin to print money during March and should drive increased inflation in the block and weaken the Euro further. The metal price sub-index declined through February as the copper price slid close to 13 percent on the back of weakening demand for the commodity from China as growth continues to slow from historic double-digit levels. On the bright side however, the uranium price recovered to U\$37/lb from U\$35/lb in the previous month, delivering some, albeit small, respite for embattled uranium miners in the country. Seasonal factors drove the decline in building plans approved and completed, as reduced staff and builders' holidays saw a decline in building plans processed and construction activity through much of December and January. Similarly, vehicle sales declined as demand slowed through the December-January holiday period.

Following expansion in the *IJG Business Climate Index*, the index reversed in January, driven by seasonal and global factors. Much of the recent upward trend in the index was driven by the oil price, which continued to decline through January, however at a slower rate than preceding months. On a monthly basis, all of the monitored indices and indicators contracted, with the same being seen on a quarterly basis, excluding the consumption index, which expanded.

		Monthly			Quarterly	
		Dec	Jan		Q4'14	Q1'15
<b>Business Climate Index</b>	▼	167.2	161.3	▼	165.4	161.3
<b>Investment Index</b>	▼	259.9	256.0	▼	265.5	256.0
<b>Consumption Index</b>	▼	130.4	127.6	▲	127.4	127.6
<b>Export Index</b>	▼	139.7	134.7	▼	139.5	134.7
<b>Leading Indicator</b>	▼	227.3	217.2	▼	223.6	217.2
<b>Coincident Indicator</b>	▼	137.4	131.2	▼	135.4	131.2

#### 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.