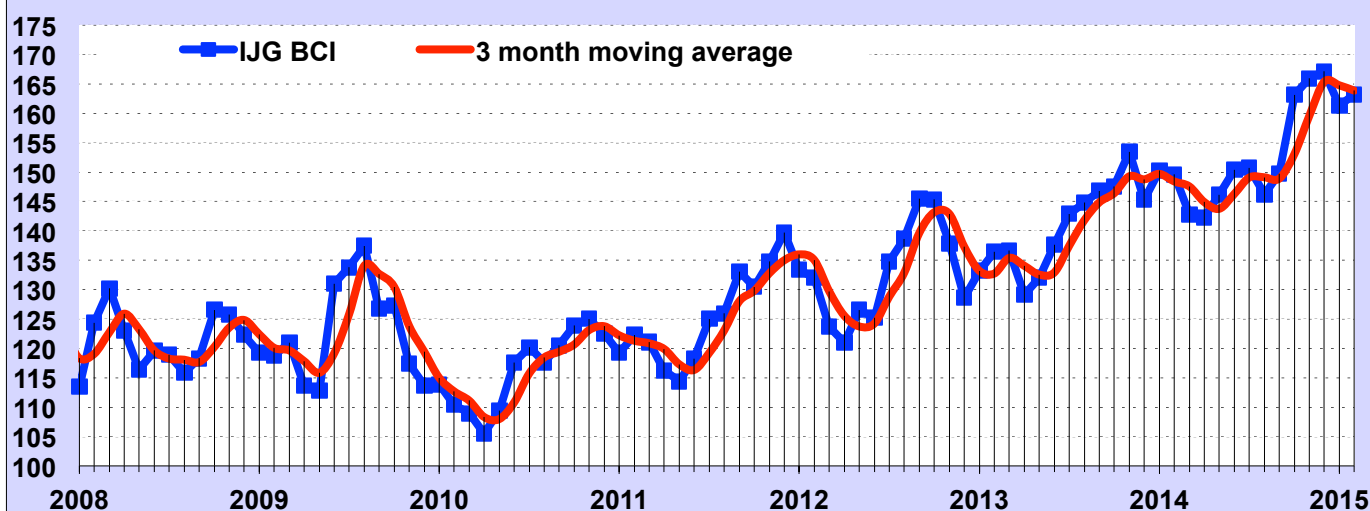




The *IJG* Business Climate Monitor for February 2015 Produced by the Institute for Public Policy Research

Business climate index stabilises as inflation tumbles

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



The *IJG Business Climate Index* stabilised in February after its January contraction, coming in at 163.2 points, up marginally from 161.2 points in January. The index stabilisation was largely driven by a decline in inflation rather than a major recovery in the majority of the key indicators measured in the index and its sub-components. Inflation fell to 3.6 percent during the month mainly on account of the oil price, which has fallen dramatically over the past 8 months, and the lagged transmission of the declining price.

The oil price sub-index remains elevated as oil prices are still depressed, but has been somewhat negatively affected by a depreciating rand vis-à-vis the US Dollar. This depreciation, however, is more a story of US dollar strength than of rand weakness as recent the strengthening of the US recovery, the end of quantitative easing in the US and expected interest rate increases in the next quarter have driven fund flow to the US, increasing dollar demand and thus the appreciation of the exchange rate. Vehicle sales climbed once again in February after the seasonal slow down in December and January, as did building plans approved. Through February, a total of 1,947 vehicles were sold, of which 1,126 were commercial and the rest passenger. The metal price sub-index recovered slightly through February mainly due to a slight uptick in the copper price following its dramatic decline through January. In this regard, between December and January the price of the commodity fell 13.0 percent. However, through February copper recovered somewhat, up 6.9 percent. Despite this slight recovery, all of the commodities measured are down when compared to the same period of last year, with the exception of uranium, which is up just over US\$4/lb over the year. The meat price index declined by 3.7 percent through February as a poor start to the rainy season saw farmers look to reduce stock levels. This resulted in a sizable increase in the supply of livestock at abattoirs, which in turn resulted in a decline in prices.

The *IJG Business Climate Index* stabilised in February after retreating from all-time highs in January. All of the broad indices and indicators monitored expanded during the month except the export index, which contracted by 0.1 point. On a quarterly basis, however, the Business Climate Index, Investment index and Coincident Indicator are down, while the Consumption and Export indices and the Leading indicator are up.

		Monthly			Quarterly	
		Jan	Feb		Q4'14	Q1'15
Business Climate Index	▲	161.2	163.2	▼	165.4	162.2
Investment Index	▲	256.0	266.3	▼	265.5	261.1
Consumption Index	▲	127.3	128.8	▲	127.4	128.0
Export Index	▼	134.7	134.6	▲	134.6	139.5
Leading Indicator	▲	217.2	230.6	▲	223.6	223.9
Coincident Indicator	▲	131.0	131.5	▼	135.4	131.3

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.