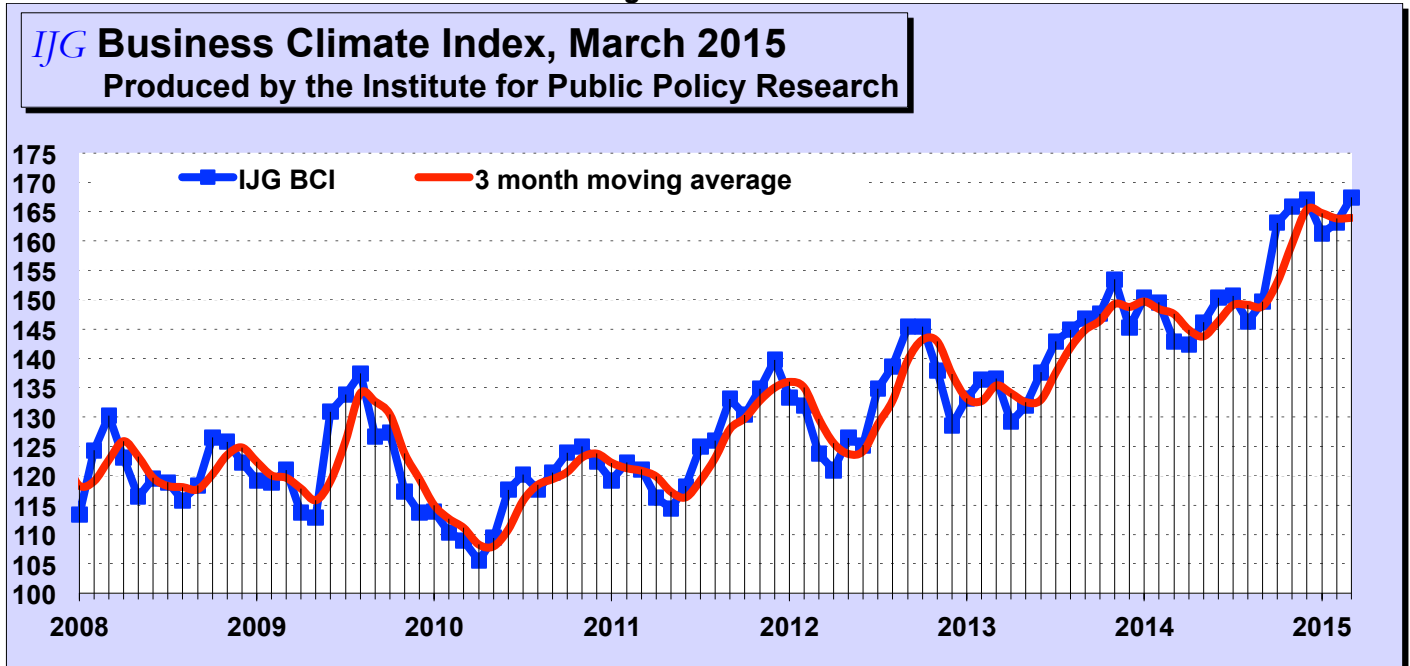




The *IJG* Business Climate Monitor for March 2015 Produced by the Institute for Public Policy Research

Business Climate Index motors to all-time high



The *IJG Business Climate Index* reached a new all-time high in March following the slight decline seen in January. The index now stands at 167.5 points - an increase of 4.3 points on February's level and 0.3 points above the previous all-time high set in December 2014. The upward move was driven by a number of factors, most notably the oil price, private sector credit extension, company registrations, vehicle sales, and metal and meat prices.

Following a recovery to U\$64 per barrel at the end of February 2015, the oil price slid back to U\$56.20 through March, highlighting a volatility that is likely to continue for many months as the price searches for an equilibrium level determined by fundamental demand and supply dynamics. Following several months of strong vehicle sales, March saw yet another increase as a record 2,150 vehicles were sold, the highest monthly level ever recorded. This boom in vehicle sales has been largely driven by a major increase in the provision for new vehicles in the 2014/15 budget. Moreover, low interest rates continue to incentivise household borrowing much of which is going to fund consumables such as vehicles. Company registrations also spiked in March, increasing to 2,167 new registrations from 1701 in the previous month. This is a largely seasonal trend, as company registrations often increase around the time of the budget, as individuals register companies in attempt to gain access to government tenders and projects.

On the commodity price front, the copper price, which has declined notably over the past year, recovered slightly to U\$6,064.50/t from U\$5,924.00/t a month earlier. Uranium also recovered, albeit marginally, to U\$39.50/lb, from U\$38.80/lb. Meat prices also increased through the month, largely driven by lamb prices increasing from N\$32.80/kg on average, to N\$33.64/kg on average.

The *IJG Business Climate Index* hit an all-time high in March following its slight pullback in January. All of the broad indices and indicators monitored expanded during the month, while on a quarterly basis, the average index level declined by 1.4 points.

		Monthly			Quarterly	
		Feb	Mar		Q4'14	Q1'15
Business Climate Index	▲	163.2	167.5	▼	165.4	164.0
Investment Index	▲	266.3	275.4	▲	265.5	265.9
Consumption Index	▲	128.6	134.8	▲	127.4	130.2
Export Index	▲	134.6	137.7	▲	134.6	137.6
Leading Indicator	▲	230.6	243.2	▲	223.6	230.4
Coincident Indicator	▲	131.4	135.1	▼	135.4	132.5

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.