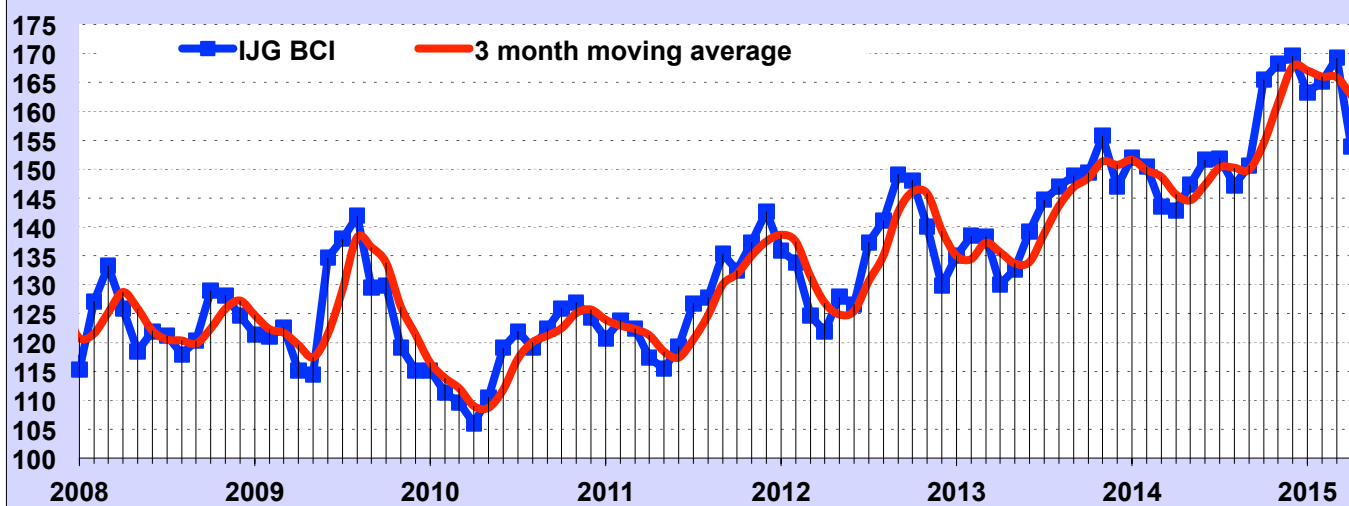




The *IJG* Business Climate Monitor for April 2015 Produced by the Institute for Public Policy Research

Business climate monitor reverses year's gains as the oil price bounces back

IJG Business Climate Index, April 2015 Produced by the Institute for Public Policy Research



The *IJG Business Climate Index* turned sharply downward in April as an oil price bounce combined with deterioration in a number of the index's indicators. The index now stands at 153.8 points, down by 15.5 from 169.3 points in the preceding month. As well as the jump in the oil price in April, from U\$57/barrel to U\$67/barrel, notable declines were seen across various indicators. Company registrations declined to 1,895 from 2,167 a month earlier. The value of building plans completed halved, from N\$40m in March to N\$20m in April, while building plans approved fell from N\$195m in value to N\$110m. Vehicle sales also saw a notable decline, falling from 2,150 in March to 1,742 in April.

The oil price recovered after its 50% fall between June 2014 and January 2015. However, it remains heavily depressed when compared to a year ago. Year-on-year, the price at the end of April was down 37%. With Namibia being a net importer of oil/fuel, this general downward trend is a positive for the index in the long term, but the recent rebound in price is a short-term negative. Through May and into June, the price fell once again, returning to levels below U\$60/barrel. The decline in building plans approved and completed as well as vehicle sales appears to be a once-off development. The magnitude of the index reaction to these declines speaks to the strong base that has been created for these categories over recent months. In addition, building plans as well as businesses registered tend to be highly cyclical and volatile.

On the positive side, metals prices moved in favour of producers, with both copper and zinc recovering in comparison to the preceding month. The copper price increased from U\$6065/t to U\$6,365/t while the zinc price increased from U\$2,072/t to U\$2,367/t. The uranium price contracted slightly from U\$39.5/lb to U\$37/lb.

The *IJG Business Climate Index* turned sharply downward in April, reversing gains for the year as the oil price bounced. While the decline in the index was aggressive, it was caused by a number of indicators moving away from long-term levels and trends, and as such is expected to be short-lived. All of the broad indices and indicators monitored contracted during the month with the exception of the export index, which improved marginally.

		Monthly			Quarterly	
		Mar	Apr		Q1'15	Q2'15
Business Climate Index	▼	169.3	153.8	▼	165.9	153.8
Investment Index	▼	279.5	243.0	▼	269.5	243.0
Consumption Index	▼	134.0	130.0	▼	130.0	130.0
Export Index	▲	137.7	138.6	▲	137.6	138.6
Leading Indicator	▼	244.0	221.1	▼	230.6	221.1
Coincident Indicator	▼	136.3	127.3	▼	133.8	127.3

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.