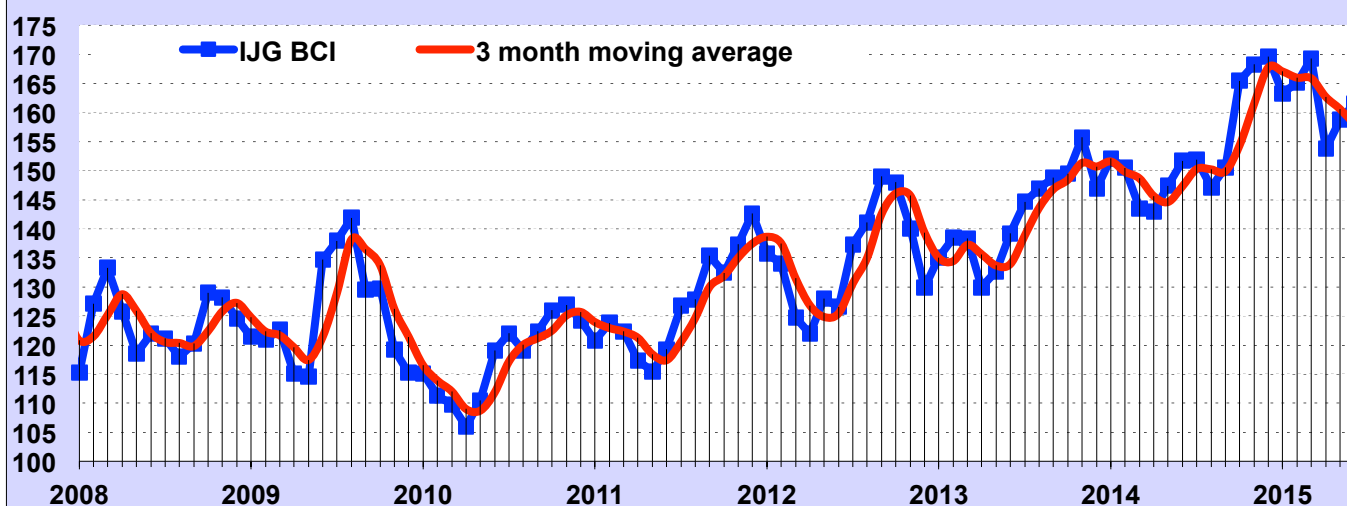




## The *IJG* Business Climate Monitor for June 2015 Produced by the Institute for Public Policy Research

**Business climate monitor regains ground as oil falls and vehicle sales expand**

### *IJG* Business Climate Index, June 2015 Produced by the Institute for Public Policy Research



The *IJG Business Climate Index* continued to recover in June following the uptick seen in May. After these two consecutive up months, the index now stands at a level of 161.5 points, up 7.7 points from the April low. The index recovery in June was driven by a number of factors, most notably a continuation in the slide in oil prices, a pick-up in vehicle sales, increases in company registrations and a spike in lamb prices.

Following some stabilisation in the oil price after its collapse between mid 2014 and early 2015, the commodity's price started to slide once again in June, with Brent crude closing the month at US\$64 per barrel, the lowest level in three months. This slide continued through July, closing the month at US\$51.66, the lowest month-end close since 2009. Vehicle sales recovered somewhat in July, up to 1,845 vehicles sold, from 1603 in the preceding month. However, while sales have picked up they remain well below their peak levels of late 2014 and early 2015. Lamb prices spiked up 12.5 percent through the month, likely on the back of supply shortages in the country. Finally, company registrations saw the second highest level on record in June, with 2,263 companies being registered during the month, compared to 1,579 registrations in the previous month. Company registrations tend to be fairly cyclical, and are often driven by the government budget and local available tenders. On the negative side, the building plans index turned down again in June. This was driven by an N\$200 million drop in building plans approved, and a N\$50 million decline in building plans completed.

The *IJG Business Climate Index* continued to recover in June, but failed to regain previous highs. This recovery was driven by oil prices, lamb prices, vehicle sales and business registrations. In all, the index and its high frequency indicators are pointing to an economy that is starting to top-out from a growth perspective. This is to be expected after many years of strong growth, and this general growth slow-down is driven by both the consumption and investment components of GDP as illustrated by the key indicators. On a monthly basis, both the investment and consumption indices expanded. However, both were down on a quarterly basis. Exports remained favourable both on a quarterly and monthly basis, while the leading indicator has turned negative on both counts. Overall, the business climate is less favourable in Q2 2015 than it was in Q1.

		Monthly			Quarterly	
		May	June		Q1'15	Q2'15
<b>Business Climate Index</b>	▲	158.8	161.5	▼	165.9	158.0
<b>Investment Index</b>	▲	250.6	257.1	▼	269.5	250.2
<b>Consumption Index</b>	▲	122.7	131.7	▼	130.0	128.1
<b>Export Index</b>	▲	137.1	139.9	▲	138.2	138.5
<b>Leading Indicator</b>	▼	238.3	228.5	▼	230.6	229.3
<b>Coincident Indicator</b>	▲	126.0	131.9	▼	133.8	128.4

**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.