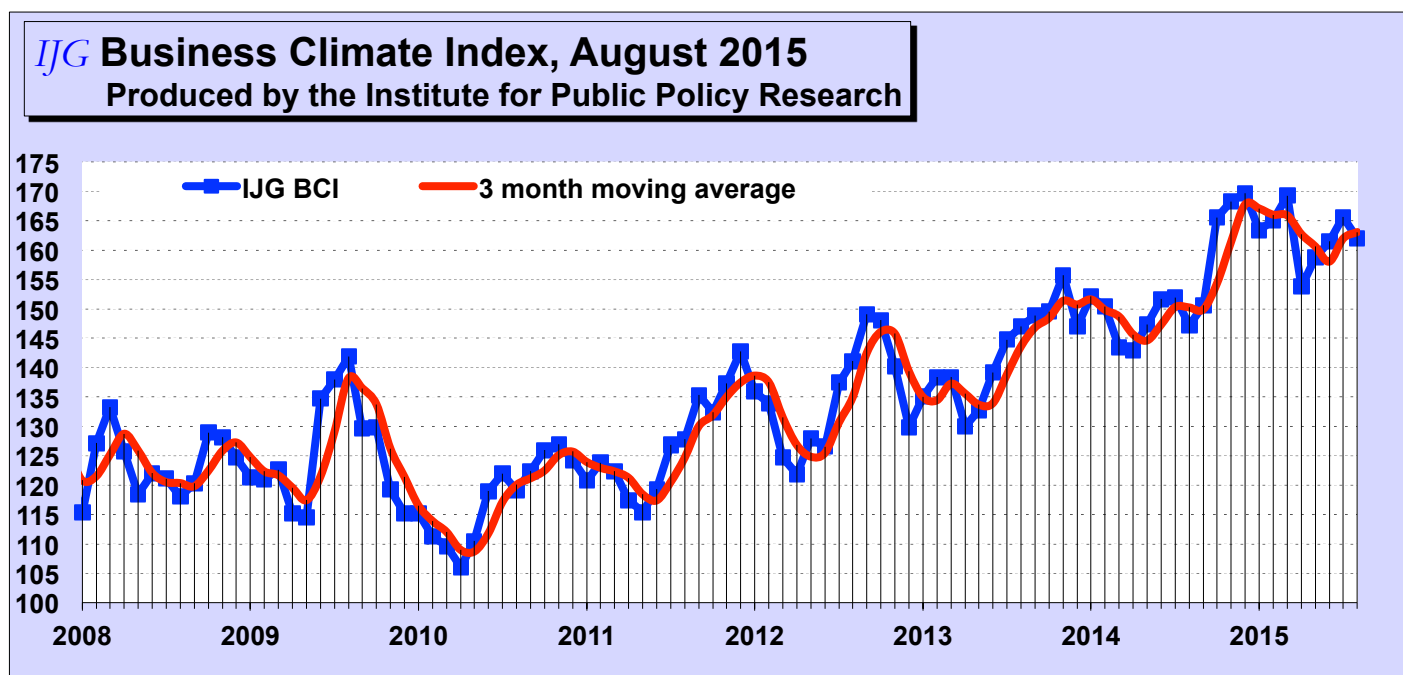




The *IJG* Business Climate Monitor for August 2015 Produced by the Institute for Public Policy Research

Business climate monitor declines as high-frequency indicators soften



The *IJG Business Climate Index* fell in August, following three consecutive up months, as a number of leading and coincident high frequency indicators declined. As a result, the index now stands at a level of 162.1 points, down from 165.7 in the preceding month. The index reversal was driven by a slight pickup in oil prices and slow-downs in company registrations, building plans, vehicle sales and meat prices.

While oil prices recovered slightly through August, they remain at heavily depressed levels when compared to the 'norms' of the past half-decade. From highs of over US\$110/barrel little over a year ago, oil was priced at US\$55/barrel as of the end of August. While some analysts believe that the commodity may see further declines, others believe that a floor has been reached and that the commodity will return to the high 60s or mid 70s by the end of 2016.

During August, three key high frequency indicators slowed, namely company registrations, vehicle sales and building plans. Company registrations declined by close to 32%, from just under 2,300 new registrations in July, to just under 1,600 new registrations in August. Interestingly, a total of 21,884 new companies have been registered in the last year alone, and 91,111 over the past five years. On the building plans front, building plans completed fell by 84% in August, while plans approved increased by 10%. Vehicle sales continued to decline, hitting their lowest level since January 2014. Month on month, sales declined 17.6% to 1,593 new vehicles sold, illustrating the increasingly tight credit conditions in the country as a liquidity squeeze bites. Finally, meat prices declined slightly through the month, dragged lower by lamb prices particularly while beef prices remained broadly unchanged.

Drops in vehicle sales and building plans are starting to illustrate a weakening credit situation, which may drive a credit slowdown going forward. On a monthly basis, only the export index rose, with the rest of the indices and indicators contracting. However, on a quarterly basis, most of the indicators and indices expanded, with the single exception being the consumption index, which fell by 4.7 points.

		Monthly			Quarterly	
		July	August		Q2'15	Q3'15
Business Climate Index	▼	165.7	162.1	▲	158.0	163.9
Investment Index	▼	273.1	261.3	▲	250.2	267.2
Consumption Index	▼	127.6	119.3	▼	128.1	123.4
Export Index	▲	142.2	145.0	▲	138.5	143.6
Leading Indicator	▼	241.4	234.2	▲	229.2	237.8
Coincident Indicator	▼	130.8	126.3	▲	128.4	128.5

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.