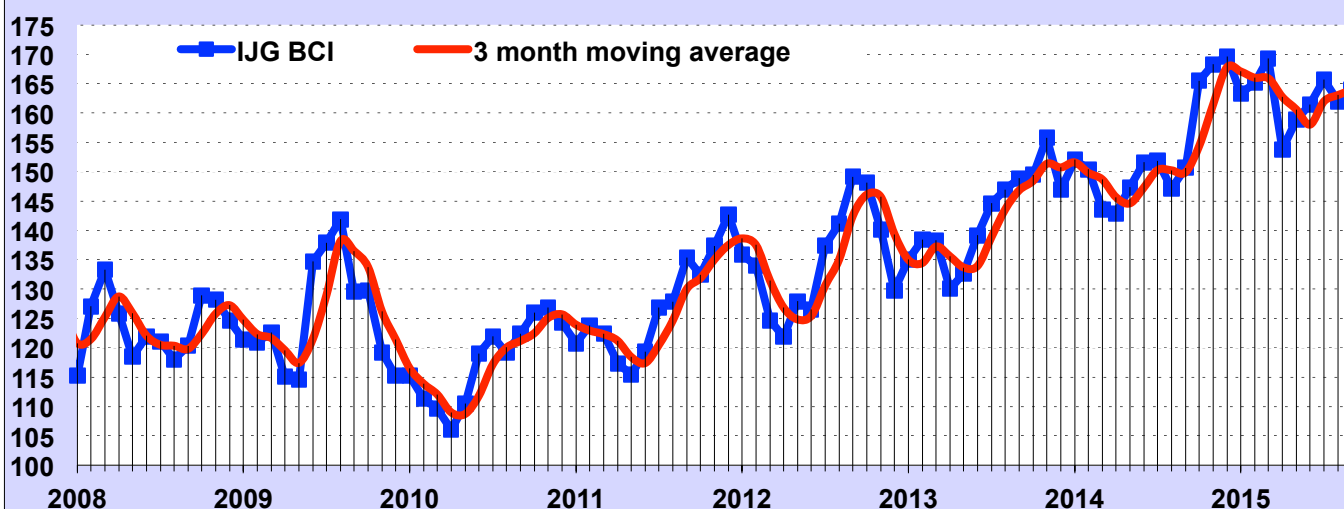




The *IJG* Business Climate Monitor for September 2015 Produced by the Institute for Public Policy Research

Business climate monitor sees slight recovery in September as oil slide continues

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



The *IJG Business Climate Index* climbed 2.1 points in September, taking the index back to the third highest level yet seen in 2015. Following the slight recovery, the index now stands at a level of 164.1 points, up from 162.0 points in August. The recovery was driven, primarily, by the continued slump in oil prices, as Brent Crude Oil closed the month at its lowest level in over six years, at U\$49.05 per barrel.

While the major slide in the oil price seen over the last 18 months has lost much of its momentum, the commodity continues to slowly de-value in hard currency terms on account of both speculative and fundamental factors.

In addition to the oil price, index expansion in September was driven by a recovery in company registrations, which bounced back to 1,637 new registrations during the month - from 1,204 the month before. The overall index of the Namibia Stock Exchange also saw strong expansion through September, climbing 4.7% over the month, as many of the global equity markets saw a slight recovery following a number of challenging months on the back of speculation about US interest rate movements, growth challenges in China and various European concerns, largely emanating from Greece. Metal prices remained fairly flat in September, with the exception of zinc which fell 7.5% through the month. However, the continued slide in the Rand and Namibia Dollar vis-à-vis the US dollar has meant that the Namibia Dollar selling price of many of the country's export commodities has improved over recent months. As of the end of September, the Namibia Dollar was trading at a rate of 13.86 Namibia Dollars to the US dollar.

The *IJG Business Climate Index* recovered somewhat in September, climbing by 2.1 points as the oil price continued its slide. On a monthly basis, all of the indices and the leading and coincident indicators expanded, while on a quarterly basis, only the consumption index and coincident indicator contracted, with the rest of the indicators and indices expanding. Going forward, the index is likely to start to weaken as suppressed commodity prices, higher interest rates and slower government spending put the brakes on the local economy.

		Monthly			Quarterly	
		August	September		Q2'15	Q3'15
Business Climate Index	▲	162.0	164.1	▲	158.0	163.9
Investment Index	▲	261.3	266.8	▲	250.2	267.1
Consumption Index	▲	119.0	121.8	▼	128.1	122.8
Export Index	▲	145.0	146.2	▲	138.5	144.5
Leading Indicator	▲	234.2	240.4	▲	229.2	238.7
Coincident Indicator	▲	126.2	127.1	▼	128.4	128.0

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.