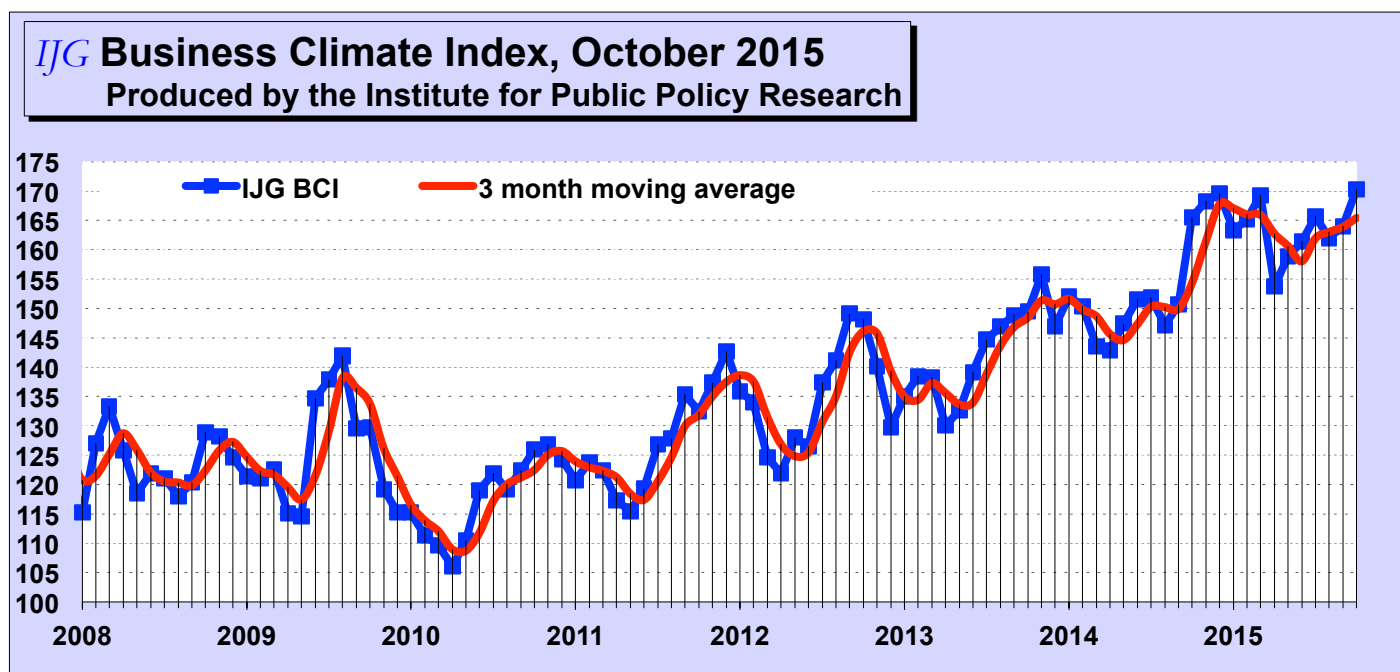




The *IJG* Business Climate Monitor for October 2015 Produced by the Institute for Public Policy Research

Inspired by increases in building plans and vehicle sales, index hits record high in October



The *IJG Business Climate Index* climbed 6.3 points in October, taking it to a record high of 170.3 points, from 164 points in the preceding month. The monthly move was primarily driven by building plans and vehicles sales. Building plans approved increased in value by 85.8% month-on-month, from N\$133.7 million to N\$248.4 million, while building plans completed increased by 130.0% month-on-month, from N\$21.0 million to N\$48.2 million. Passenger vehicle sales increased 6.4% month-on-month, while commercial vehicle sales expanded by 8.0% month-on-month. In total 9,420 new passenger vehicles have been sold in Namibia over the past 12 months, while 12,345 new commercial vehicles have been sold. Despite the month-on-month increase in sales, on a year-on-year basis, both commercial and passenger vehicle sales are notably lower.

The index has been heavily supported by low oil prices over recent months, which have in turn contributed to abnormally low levels of inflation in the country. These two factors and strong growth in the NSX index have boosted the business climate index despite many other high-frequency-indicators seeing notable softening over recent months.

In contrast to the relatively buoyant nature of the index, the underlying macroeconomic conditions in Namibia are turning for the worse. Most notable is the current precarious fiscal position of government and the resultant forced expenditure slowdown. With government's cash balance at one of its lowest levels in almost a decade and disappointing revenue collections, fiscal stimulus can be expected to slow notably over coming months and years.

The *IJG Business Climate Index* set new record highs in October, going past 170 points for the first time. The strong expansion was driven by building plans and vehicle sales particularly, with underlying support from low oil prices and inflation. On a monthly basis, all of the indices except the export index expanded, while on a quarterly basis, all of the indices expanded.

		Monthly			Quarterly	
		September	October		Q3'15	Q4'15
Business Climate Index	▲	164.0	170.3	▲	163.9	170.3
Investment Index	▲	266.8	279.7	▲	267.1	279.7
Consumption Index	▲	121.5	124.0	▲	122.7	124.0
Export Index	▼	146.2	144.7	▲	144.5	144.7
Leading Indicator	▲	240.4	252.7	▲	238.7	252.7
Coincident Indicator	▲	127.0	130.6	▲	128.0	130.6

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.