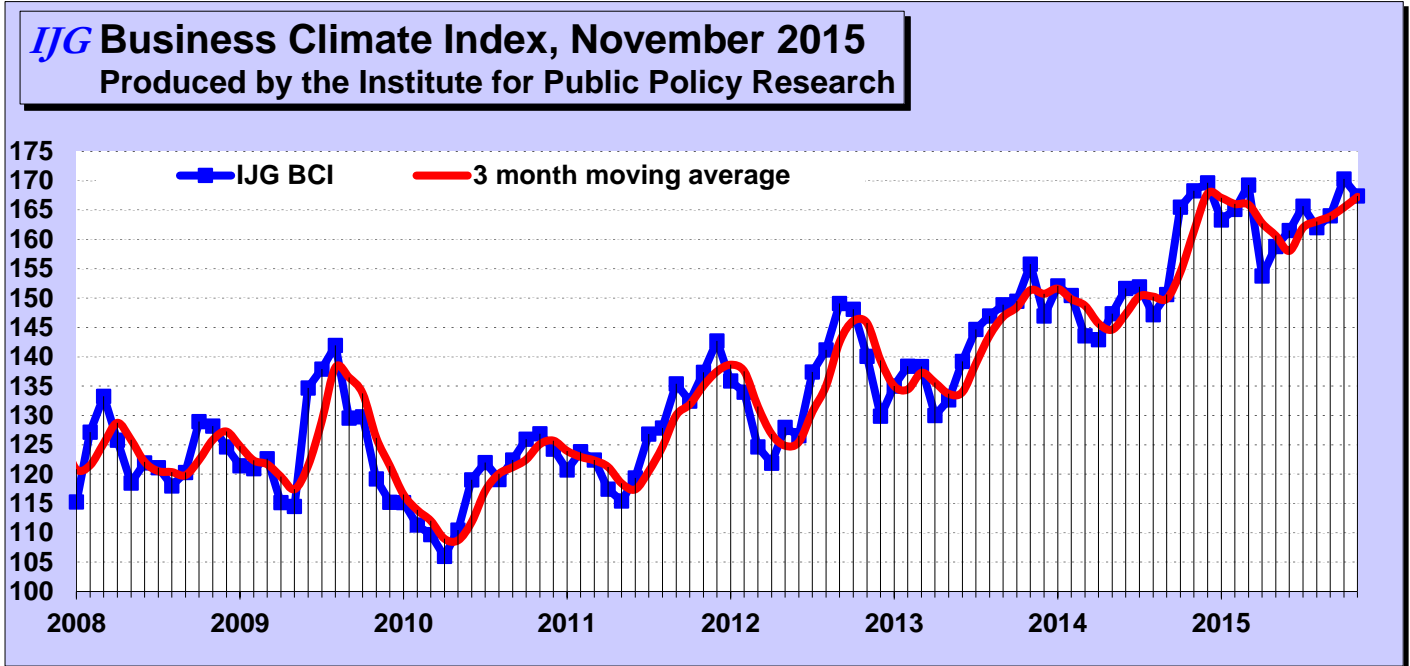




## The *IJG* Business Climate Monitor for November 2015 Produced by the Institute for Public Policy Research

### Business Climate Index retreats in November



The *IJG Business Climate Index* retreated 2.9 points in November, taking it back to 167.4 points from the previous month's record high of 170.3 points. The index remains at an elevated level, driven by low inflation and low oil prices.

Over the month, the oil price continued to fall, lending support to the index. Brent crude closed the month at U\$45.25 a barrel, the lowest month end price since February 2009. On a month-on-month basis, the price of Brent crude fell 10.1%, while, on a year-on-year basis, the commodity's price is down 36.9%. Inflation also remained extremely low in November, with the consumer price basket up just 3.3% in the last year. Despite this, most Namibians, particularly those living in urban areas, are experiencing price pressures in excess of this. This can also be seen in wage settlements across the country, which have generally been well above the stated level of inflation.

The monthly downtick in the index was primarily a result of fewer company registrations, building plans completed and vehicle sales. Company registrations fell from 1,985 in October to 1,561 in November, a decline that is believed to be seasonal, rather than structural. Vehicle sales too fell during the month, from 1,767 in October to 1,721 in November. This was largely due to a fall in passenger vehicle sales, from 727 in October to 588 in November, while commercial sales increased slightly. Over the month, building plans completed fell significantly, from N\$48.2 million in value in October to N\$32.3 million in value in November. On the other hand, plans approved saw a notable increase in value, from N\$248.4 million to N\$332.9 million. The increase in the local index of the Namibia Stock Exchange, which has expanded by 26.1% in the last year to 491.1 points, also positively influenced the business climate index.

On a monthly basis, the overall index, consumption index and export index all fell, while on a quarterly basis, only the consumption index contracted. The coincident indicator contracted on both a monthly and quarterly fronts.

		Monthly			Quarterly	
		October	November		Q3'15	Q4'15
<b>Business Climate Index</b>	▼	170.3	167.4	▲	163.9	168.8
<b>Investment Index</b>	▲	279.7	280.4	▲	267.1	280.1
<b>Consumption Index</b>	▼	124.0	117.5	▼	122.7	120.8
<b>Export Index</b>	▼	144.7	144.4	▲	144.5	144.5
<b>Leading Indicator</b>	▲	252.7	264.5	▲	238.7	258.6
<b>Coincident Indicator</b>	▼	130.6	124.1	▼	128.0	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.

