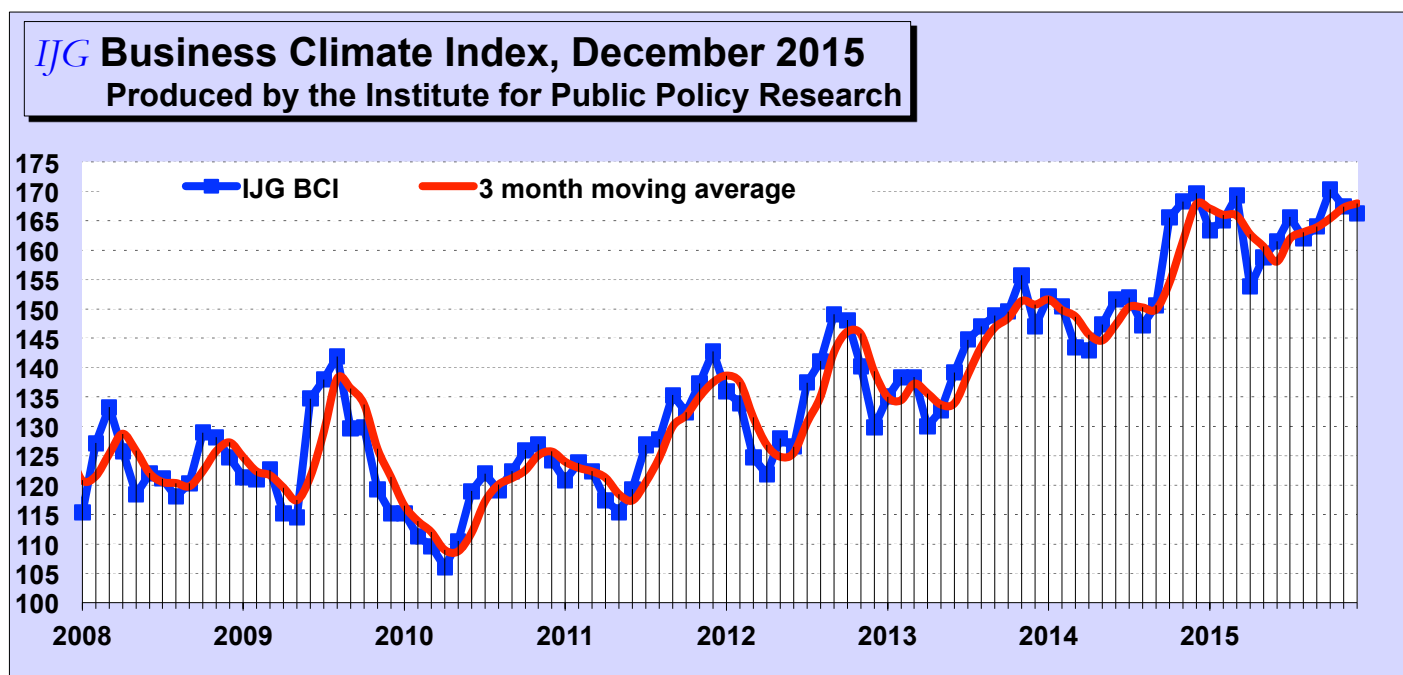




The *IJG* Business Climate Monitor for December 2015 Produced by the Institute for Public Policy Research

Business climate monitor falls as building plans disappoint in December



The *IJG Business Climate Index* fell a further 1.2 points in December following the 2.9 point fall in November, taking it to a level of 166.2 points. The decline was largely driven by a large decrease in the building plans sub-index, which fell due to no recorded building plans being completed in December.

December was a rocky month for the region as the finance minister debacle in South Africa (which saw three finance ministers in office in the space of less than a week) and the collapse of already waning confidence in the country drove a major retreat in the rand vis-à-vis major currencies, as well as a notable blow-out in fixed income yields and a weakening of equity markets. The rand depreciation particularly has a negative bearing on Namibia, as the country remains a net importer of goods meaning that rand weakness generally drives deterioration in the country's terms of trade.

In the other main high frequency indicators, both the building plans and vehicle sales sub-indices contracted in December. The former was driven by no completed building plans being recorded during the month (down from N\$32.3 million the month before) while N\$72 million worth of plans were approved down from N\$332.9 million worth in the preceding month. On the vehicle sales front, total sales fell 9.3% month-on-month, driven by a 16.4% decline in commercial vehicle sales. Passenger vehicle sales increased by 4.4%. For the year, a total of 21,224 new vehicles were sold in the country, compared to 21,774 new vehicles sold in 2014.

Meat prices came down during the month, as farmers marketed relatively high volume of cattle just before the rains started in earnest in January 2016. It is now expected that farmers will once again start to rebuild their herds, and thus the supply of beef and small stock to local abattoirs will decline, driving up prices.

On a monthly basis the investment and leading indicators fell, while on a quarterly basis, the consumption and coincident indicators saw contraction.

		Monthly			Quarterly	
		November	December		Q3'15	Q4'15
Business Climate Index	▼	167.4	166.2	▲	163.9	168.0
Investment Index	▼	280.4	271.7	▲	267.1	277.3
Consumption Index	▲	117.5	121.0	▼	122.7	120.9
Export Index	▲	144.4	148.6	▲	144.5	145.9
Leading Indicator	▼	264.5	243.6	▲	238.7	253.6
Coincident Indicator	▲	124.1	127.8	▼	128.0	127.5

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.