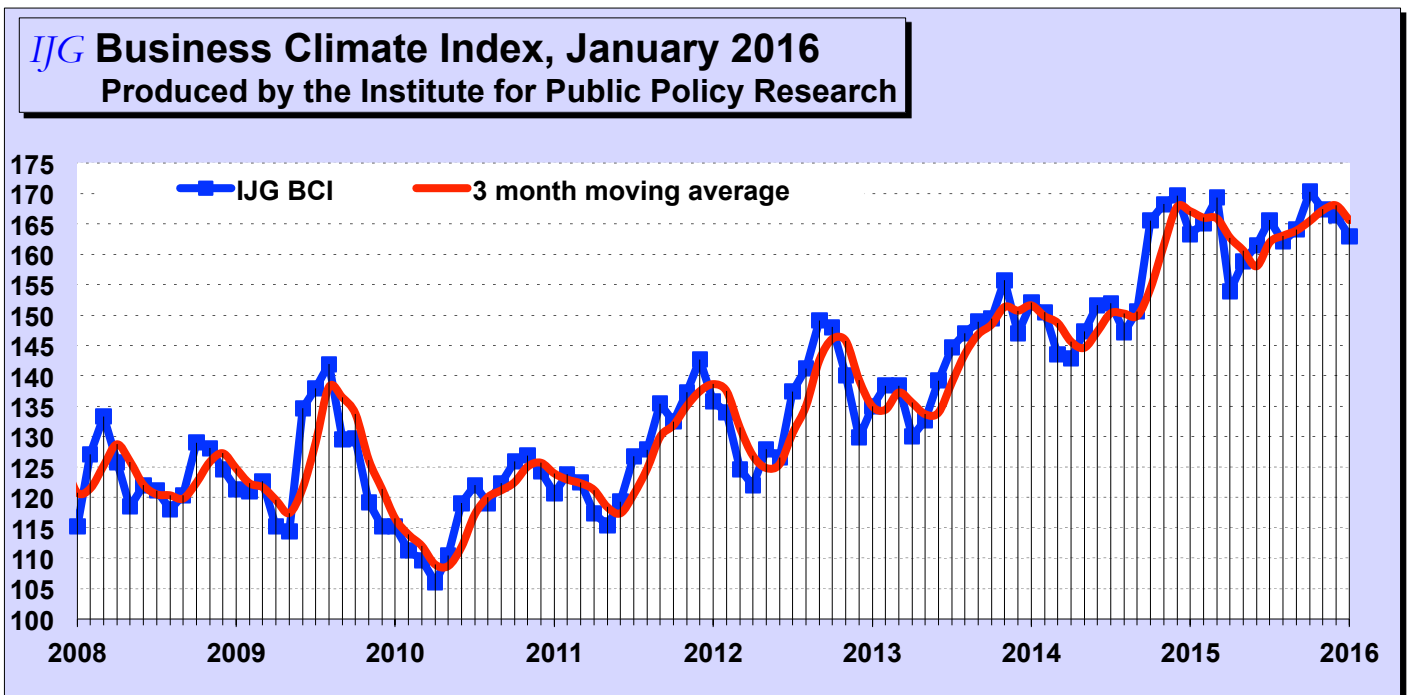




The *IJG* Business Climate Monitor for January 2015 Produced by the Institute for Public Policy Research

Business climate monitor falls as vehicle sales disappoint in January



The *IJG Business Climate Index* fell once again in January, down another 3.4 points, taking the total decline in the last three months to 7.3 points, and the index to a level of 163.0. The continued slide in the index was driven by a notable decline in vehicle sales.

Year on year vehicle sales continue to weaken, with January's figures showing a decline of 26.5% for passenger vehicles and a fall of 13.4% for commercial sales. Cumulatively, 8,838 passenger vehicles were sold in the last 12 months, while 12,081 commercial vehicles were sold. The contractions seen in vehicle sales figures illustrate a general slowing in the economy and are likely to hit the state revenue fund as VAT collections from the retail sector come under pressure.

General macroeconomic conditions in the country continue to deteriorate as various factors come together to dampen growth. The unwinding of historically low interest rates, reduced government spending, lower foreign direct investment, fewer Angolan retail tourists, a reduction in diamond output, weak commodity prices, drought, potential water supply constraints and a high base, are a notable few. Water shortages remain a major risk to the local economy as supply constraints to the central area of Namibia may negatively affect key industries. However, while it appears that NamWater remains concerned about supply, the Ministry of Agriculture, Water and Forestry has repeatedly reassured the public that supply will not be curtailed.

On the upside, average meat sale prices picked up notably on a month-on-month basis. Average beef prices climbed 2.9%, while average lamb prices climbed 7.0%. These increases come as some rain fell across the country to provide light respite for farmers, who thus reduced their supply of cattle to abattoirs, driving up prices.

The **IJG Business Climate Index** fell for the third consecutive month in January 2016, to settle at a level of 163.0 points. On a monthly and quarterly basis, all of the sub-indices and indicators fell, with the single exception of the export index, which improved marginally.

		Monthly			Quarterly	
		December	January		Q4'15	Q1'16
Business Climate Index	▼	166.4	163.0	▼	168.0	163.0
Investment Index	▼	273.0	260.9	▼	277.7	260.9
Consumption Index	▼	121.0	117.5	▼	120.9	117.5
Export Index	▲	148.6	150.1	▲	145.9	150.1
Leading Indicator	▼	244.7	242.5	▼	254.0	242.5
Coincident Indicator	▼	127.8	124.9	▼	127.5	124.9

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.