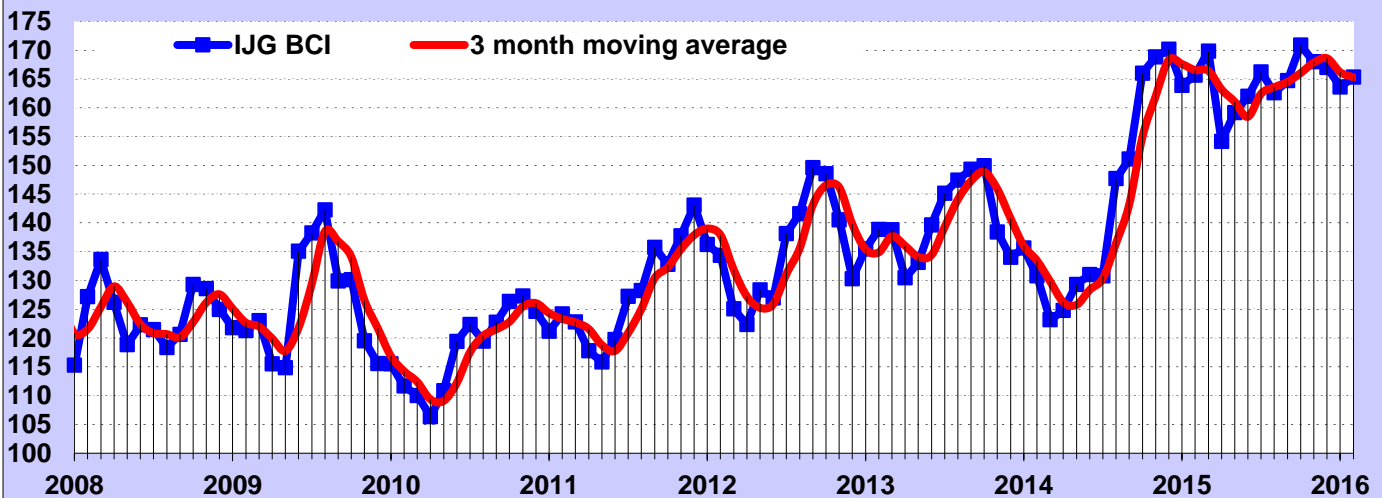




The *IJG* Business Climate Monitor for February 2016 Produced by the Institute for Public Policy Research

Business climate stabilises as number of approved building plans picks up

IJG Business Climate Index, February 2016 Produced by the Institute for Public Policy Research



The *IJG Business Climate Index* recovered 1.7 points in February following falls in December and January. This slight improvement was primarily driven by increases in building plans approved and company registrations as well as an uptick in the NSX local index.

Company registrations increased from 1,524 registrations in January to 1,949 registrations in February, driven by a large increase in Close Corporation registrations, from 1,171 to 1,534. The other key driver was building plans approved, which increased from N\$128.7 million in January to N\$211.9 million in February. However, building plans completed remained largely unchanged, with N\$25 million worth of completed plans in January and N\$24 million in February.

The index recovery came despite increasing interest rates, which expanded by 25 basis points following a South African Reserve Bank interest rate hike in January. As a result, interest rates are now 125 basis points from the historically low levels of 2012 and 2013. While this is a 1.25 percentage point increase in rates, it reflects a 13.5% increase from the 9.25% prime rate seen at the bottom of the interest rate cycle, and a 22.7% increase in the repo rate from the low of 5.5%.

As a result of lower than normal liquidity in the banking sector and increases in interest rates, private sector credit extension has started to see notably lower rates of growth than was the case through the bottom of the interest rate cycle. Credit extension to households expanded by 12.9% in February, while credit extended to businesses grew by just 12.2%. This compares to growth of over 20% for businesses at the same point in 2015.

On a monthly basis, the investment index fell two points, while the export index fell 0.8 points. The consumption index climbed 2.1 points, while the leading and coincident indicators expanded by 2.4 and 2.5 points, respectively. On a quarterly basis, all of the indices and indicators fell with the exception of the export index, which expanded by 3.8 points.

		Monthly			Quarterly	
		January	February		Q4'15	Q1'16
Business Climate Index	▲	163.6	165.3	▼	168.6	164.4
Investment Index	▼	265.4	263.4	▼	282.2	264.4
Consumption Index	▲	117.9	120.0	▼	121.2	119.0
Export Index	▼	150.1	149.3	▲	145.9	149.7
Leading Indicator	▲	246.3	248.7	▼	257.7	247.5
Coincident Indicator	▲	125.1	127.6	▼	127.7	126.3

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.

