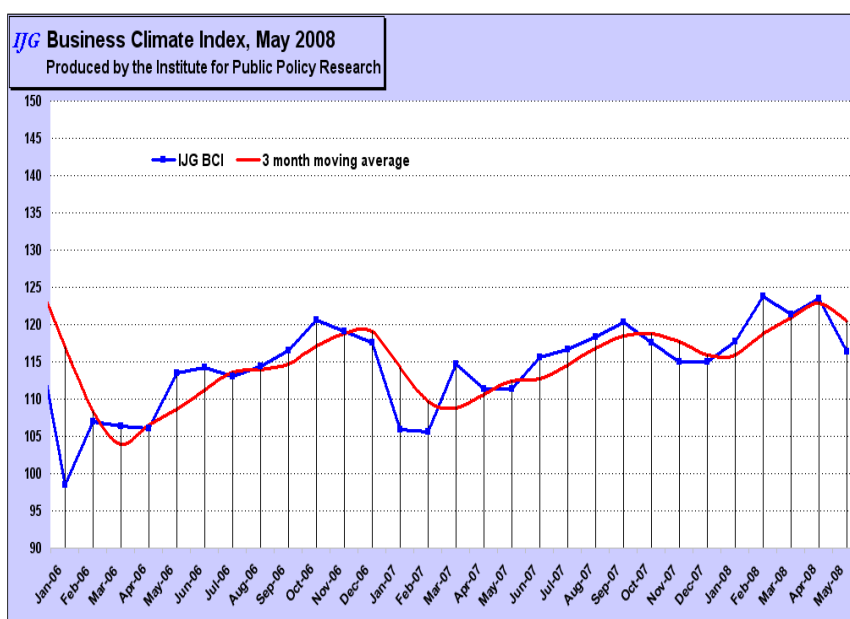




The *IYG* Business Climate Monitor for May 2008 Produced by the Institute for Public Policy Research

The *IYG* Business Climate Index plunges to its lowest level during the year as economic conditions worsen globally.

A wave of unprecedented rise in fuel costs, high food prices and a generally subdued world economy has led to fears that a global recession may be in the offing. These sentiments could be fuelled by the expected slow down in major world economies, with the leading indicators of the OECD countries showing signs of a decline. Domestically, the month of May saw a significant drop in business confidence as the *IYG Business Climate Index* shed 7.2 points from a revised figure of 123.6 for April. The huge fall also saw all the related sub-indices declining. Worryingly, the **Leading indicator**, which attempts to portray future or expected economic trends, slowed to its second lowest point since January 2008, shedding 18 points in the process. Similarly, the **Investment index**, which gauges the investment environment, dropped 17 points compared to April and thus signalling a less favourable investment climate.



Overall, the current deterioration in the domestic business climate outlook is mainly driven by international market forces which saw a 7% drop in average spot prices of metals and a spike in international oil prices which breached the U\$130/b mark during May. Locally, a slow down in real credit extension, high inflation and a drop in vehicle sales have been prime drivers of the deteriorating business outlook.

		Monthly			Quarterly	
		May '08	Apr'08		1 st quarter '08	4 th quarter '07
Business Climate Index	▼	116.4	123.6	▲	122.6	116.4
Investment Index	▼	130.1	147.2	▲	139.0	131.4
Consumption Index	▼	83.4	83.7	▼	87.9	90.7
Export Index	▼	130.8	133.5	▲	135.3	124.0
Leading Indicator	▼	130.7	148.9	▲	141.3	133.5
Coincident Indicator	▼	101.3	102.5	▲	108.6	105.0