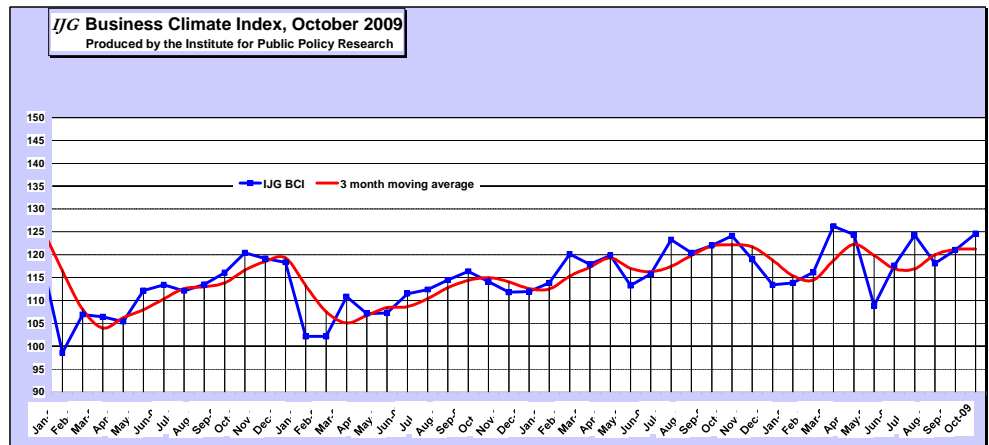




The *IJG* Business Climate Monitor for October 2009 Produced by the Institute for Public Policy Research

The *IJG* Business Climate Index rises but is likely to be tested by low consumer confidence

The *IJG* Business Climate Index climbed to its second highest level in over two years, with a little help from a weaker local currency. The business community seems to be overflowing with confidence as the overall index was up 3.6 basis points in the month, with all sub indices in green except for the consumption index. October developments point towards improved business



sentiments towards the tail end the year. To this end, the leading Indicator was up 20.5 basis points on the back of strong commercial vehicle sales, defensive name registrations and metal futures prices. Further support came from the NSX local index and credit extended to businesses. The business sector has found its appetite for credit, with credit extension up 14.5% year on year. The investment index gained 12 basis points to 165.8 points, its highest level in over three years. The data suggests that businesses are lending more at slightly lower interest rates, while new companies are being registered and the commercial property developments approved are increasing. Analysis suggests acceleration in investment sentiments over the past five months. The slightly weaker rand helped the export index in October, but remains in a downward cycle. Beef prices moved up 1.6% while mutton prices moved sideways. Metal prices were up 12.5% to 12.8% and uranium was up 19.8%, thus raising the metal price index 14.9%. Therefore, the export index recovery remains very fragile and will in all likelihood track currency developments for the next two quarters. The consumption index shed 3.6 basis points as higher fuel prices and a weaker local currency hit households. The strong growth in short term credit extension is indicative of financial strain at household level, while medium to long term credit extension remains largely subdued. Food inflation remains problematic as a result of high vegetable and beverage prices and rising international fuel prices. Consumer confidence was in a downward cycle last year and appears to be in a prolonged bottoming out cycle this year.

Going forward, the sustainability of business confidence may be tested by the prolonged lack of consumer confidence, especially in light of international fuel price developments and how they translate into local pump prices.

		Monthly			Quarterly	
		Sep-09	Oct-09		Q2'09	Q3'09
Business Climate Index	▲	121.0	124.6	▲	116.9	121.2
Investment Index	▲	153.8	165.8	▲	141.2	155.4
Consumption Index	▼	94.2	90.6	▲	90.9	91.7
Export Index	▲	112.9	118.0	▲	112.6	115.0
Leading Indicator	▲	159.2	179.7	▲	142.8	163.5
Coincident Indicator	▲	97.4	98.2	▲	94.1	97.2