

Private Sector Credit Extension

July 2023



Overview

Category	N\$ Millions Outstanding	Change in N\$ Millions		% Change	
		One Month	One Year	m/m	y/y
Corporates	45,550.0	(228.4)	(541.3)	-0.50%	-1.17%
Individuals	66,042.9	231.7	3,440.4	0.35%	5.50%
Mortgage Loans	58,912.3	6.2	515.9	0.01%	0.88%
Other Loans & Advances	27,950.0	(313.8)	495.1	-1.11%	1.80%
Overdrafts	13,201.8	138.3	826.2	1.06%	6.68%
Instalment Credit	11,528.7	172.6	1,061.9	1.52%	10.15%
Total PSCE*	111,592.9	3.3	2,899.1	0.00%	2.67%

*Normalised for claims on non-resident private sectors

Source: Bank of Namibia, IJG Securities

Private sector credit (PSCE) remained relatively steady in July, rising by just N\$3.28 million, bringing the normalised cumulative credit outstanding to N\$111.6 billion (removing the interbank swaps the Bank of Namibia (BoN) accounts for in non-resident private sector claims). The year-on-year growth rate slowed to 2.67% from 2.98% in June. Over the past twelve months, N\$2.90 billion worth of credit was extended to the private sector, 21.7% less than the N\$3.70 billion issued over the same period a year ago. Individuals took up N\$3.44 billion worth of credit over this period, while corporates deleveraged by N\$541.3 million.

PSCE Issuance Growth (% y/y)



Source: Bank of Namibia, IJG Securities

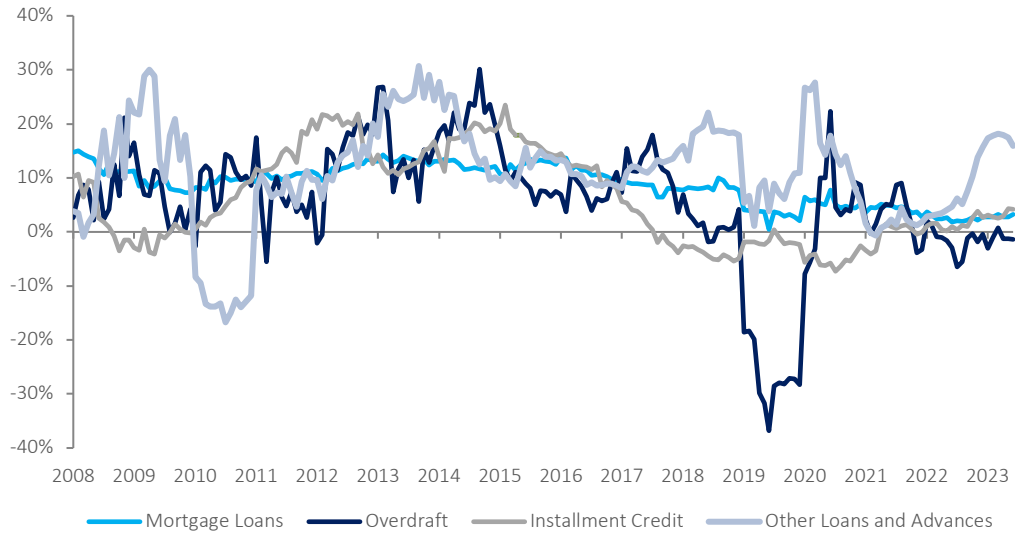
Credit Extension to Individuals

Credit extended to individuals rose by 0.4% m/m and 5.5% y/y in July. Overdraft facilities to individuals grew by 3.8% m/m and 6.1% y/y, rebounding from the 2.2% m/m contraction observed in June. 'Other loans and advances', consisting of credit card debt and personal- and term loans, posted growth of 0.5% m/m and 15.9% y/y. The sub-category's year-on-year growth rate has moderated from its recent peak of 18.2%, it remains relatively elevated. Mortgage loans rose by 0.1% m/m and 2.9% y/y, with the year-on-year growth rate steady over the last eight months.



0.0005	4.85%
0.0003	13.04%
0.0001	50.00%
0.0003	14.29%
0.0005	12.50%

Annual Credit Growth (Individuals)

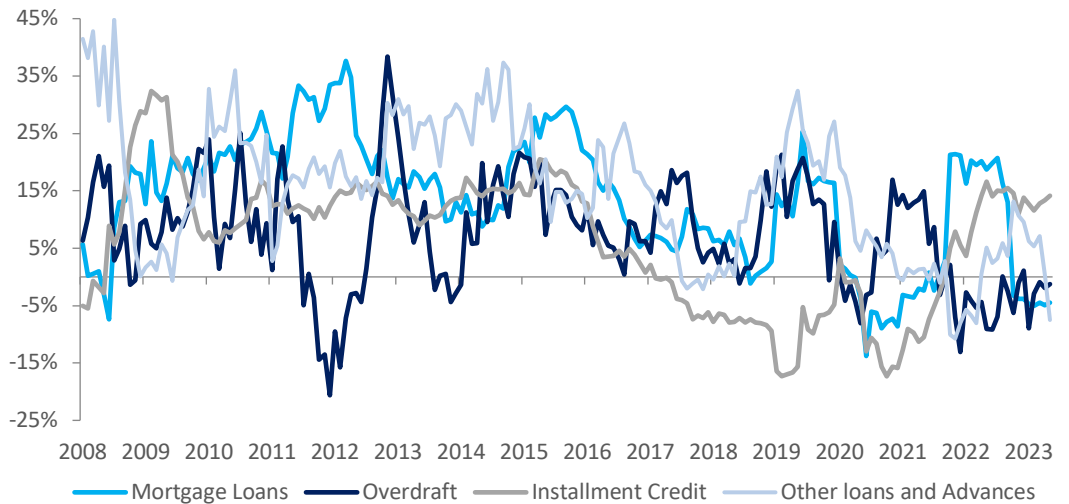


Source: Bank of Namibia, IJG Securities

Credit Extension to Corporates

Credit extended to corporates fell by 0.5% m/m and 1.2% y/y in July. The month-on-month contraction was largely due to a 2.3% m/m and 6.6% y/y decline in ‘other loans and advances’. Overdrafts facilities to corporates rose by 0.5% m/m and 6.8% y/y and instalment credit grew by a robust 2.4% m/m and 16.6% y/y. Mortgage loans recorded a month-on-month contraction for a third consecutive month, declining by 0.1% m/m, and on a year-on-year basis fell for a 10th consecutive month, contracting by 5.1% y/y in July. Overall credit demand by Namibian corporates remains weak.

Annual Credit Growth (Corporates)



Source: Bank of Namibia, IJG Securities

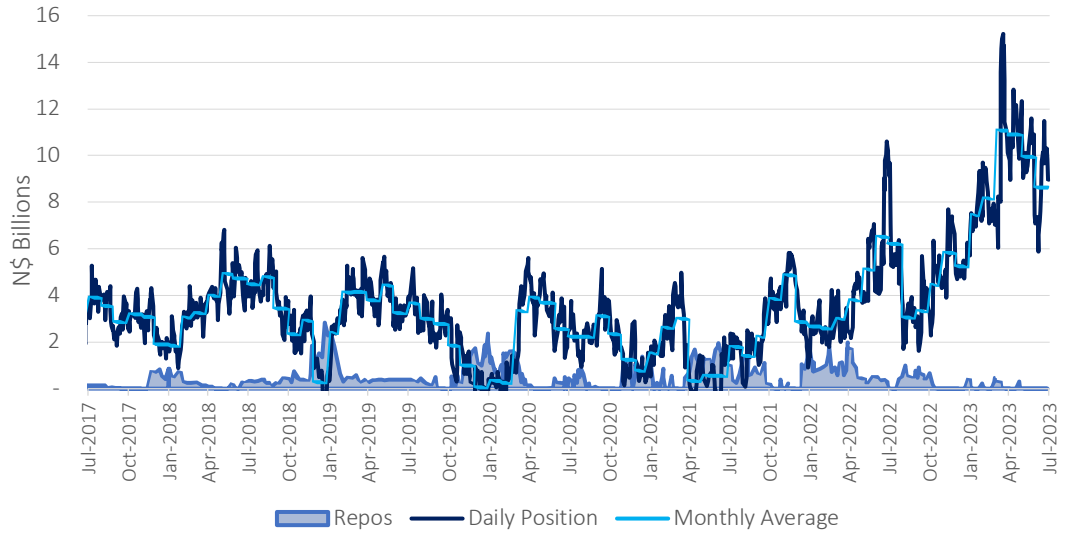
Banking Sector Liquidity

The overall liquidity position of the commercial banks weakened for a second month but remained strong historically. The liquidity position declined by N\$1.31 billion to an average of N\$8.62 billion. The BoN ascribed the decline to corporate tax payments made during the month.



4.85%
13.04%
50.00%
14.29%
12.50%

Namibian Banking Liquidity

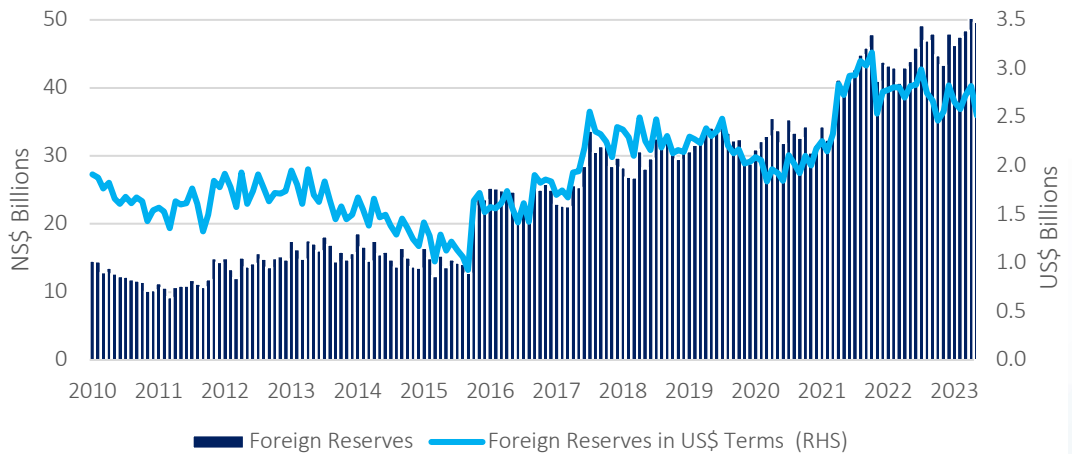


Source: Bank of Namibia, IJG Securities

Money Supply and Reserves

According to the BoN’s latest monetary statistics, broad money supply (M2) rose by N\$4.38 billion or 3.2% y/y in July. The stock of international reserves increased by 2.3% m/m or N\$1.21 billion to N\$54.2 billion, translating to 5.7 months of import cover. According to the BoN, the increase was due to SACU inflows, diamond sales and Customer Foreign Currency (CFC) placements.

Foreign Reserves



Source: Bank of Namibia, IJG Securities

Outlook

Overall credit demand remained weak in July, and as we pointed out in last month’s report, the PSCE growth rate is trending at around half the levels observed prior to the pandemic. The growth in credit extended to individuals slightly outpaced inflation but continues to be primarily driven by short-term credit uptake in the form of OLA and overdrafts. Corporate credit uptake however remains subdued as businesses continue to de-lever their balance sheets.





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0,001	50,00%
0,0003	14,29%
0,0005	12,50%

While Namibian commercial banks have enjoyed margin expansion over the past year-and-a-half, the current lacklustre economic conditions are likely making the private sector hesitant to commit to long-term, expensive debt. We do not anticipate overall PSCE growth to pick up materially in the short- to medium term.

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