

# Private Sector Credit Extension

## September 2023

0.0005	4.85%
0.1003	13.04%
0.0001	50.00%
0.0003	14.29%
0.0005	12.50%

## Overview

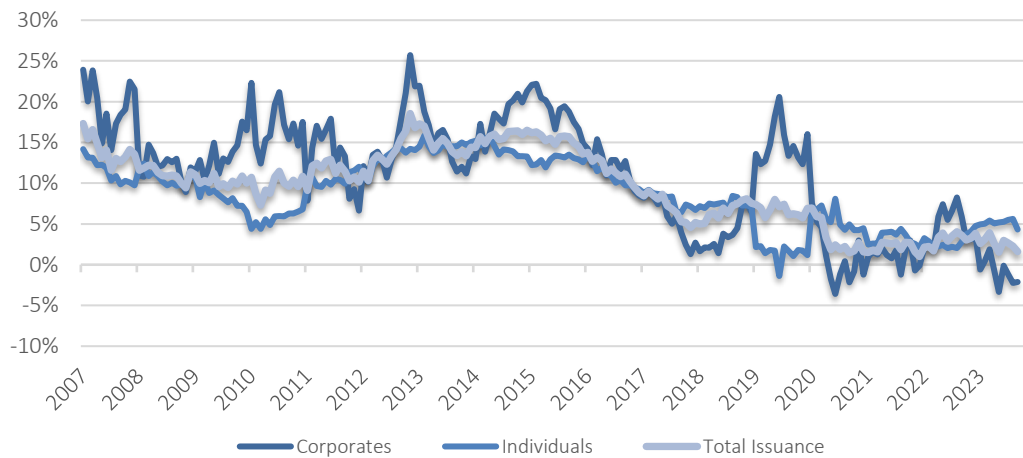
Category	N\$ Millions Outstanding	Change in N\$ Millions		% Change	
		One Month	One Year	m/m	y/y
<b>Corporates</b>	<b>45,281.7</b>	<b>93.1</b>	<b>(984.2)</b>	<b>0.21%</b>	<b>-2.13%</b>
<b>Individuals</b>	<b>65,967.9</b>	<b>(465.8)</b>	<b>2,727.9</b>	<b>-0.70%</b>	<b>4.31%</b>
Mortgage Loans	58,912.1	(70.2)	708.6	-0.12%	1.22%
Other Loans & Advances	27,880.8	(409.3)	(144.6)	-1.45%	-0.52%
Overdrafts	12,615.0	(37.8)	(55.9)	-0.30%	-0.44%
Instalment Credit	11,841.6	144.7	1,235.6	1.24%	11.65%
<b>Total PSCE*</b>	<b>111,249.6</b>	<b>(372.7)</b>	<b>1,743.6</b>	<b>-0.33%</b>	<b>1.59%</b>

\*Normalised for claims on non-resident private sectors

Source: Bank of Namibia, IIG Securities

Private sector credit (PSCE) fell by N\$372.7 million or 0.33% m/m in September, bringing the cumulative credit outstanding to N\$111.3 billion on a normalised basis (removing the interbank swaps the Bank of Namibia (BoN) accounts for in non-resident private sector claims). Annual PSCE growth slowed to 1.59% from the 2.27% recorded in August. N\$1.74 billion worth of credit was extended to the private sector over the past twelve months, which is 54.2% less than the N\$3.81 billion issued over the same period a year ago. Individuals took up N\$2.73 billion worth of credit over this period, while corporates paid back N\$984.23 million.

PSCE Issuance  
Growth (% y/y)



Source: Bank of Namibia, IIG Securities

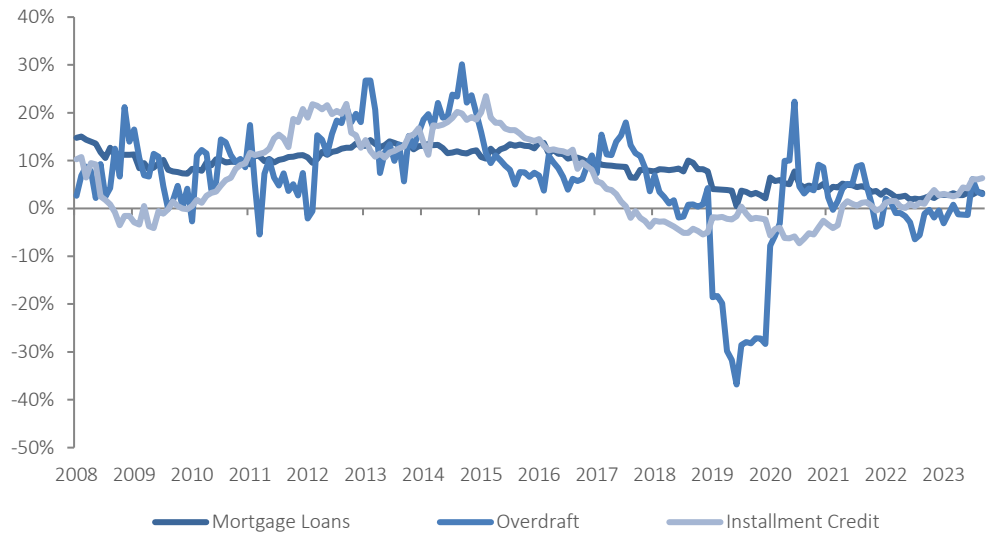
## Credit Extension to Individuals

Credit extended to individuals fell by 0.7% m/m but rose 4.3% y/y in September. 'Other loans and advances', primarily made up of credit card debt and personal- and term loans, attributed to most of the decline in credit extension to individuals during the month, with the sub-category declining 4.7% m/m and the year-on-year growth rate nearly halving from 14.9% in August to 7.8% in September. Overdraft facilities slightly grew by 0.8% m/m and 3.0% y/y. Mortgage loans, which drove most of the marginal increase in credit extension to individuals during August grew by a moderate 0.1% m/m and 3.2% y/y. Instalment credit grew by 2.7% m/m and 6.4% y/y. While we observed slight increases in the mortgage loan and instalment credit categories, these increments were more than offset by the decline in 'other loans and advances'.



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Annual Credit Growth (Individuals)

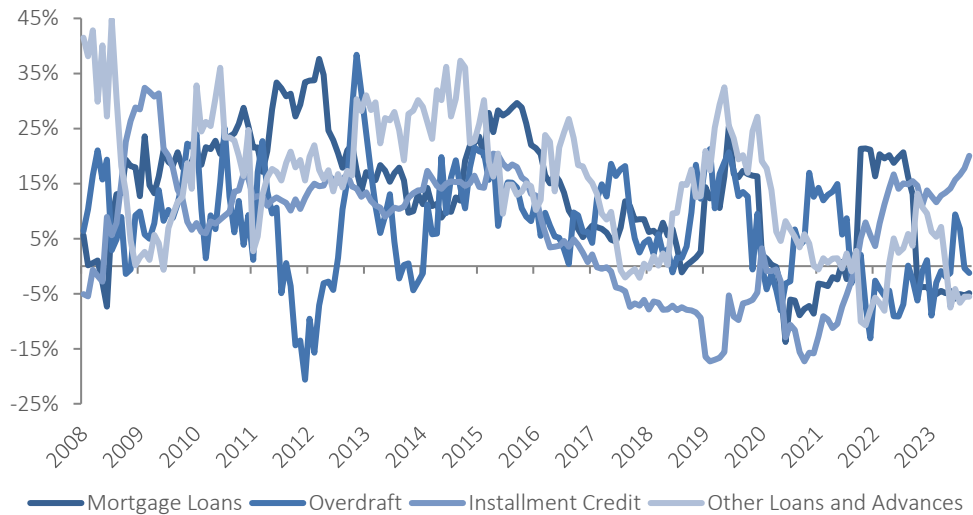


Source: Bank of Namibia, IJG Securities

## Credit Extension to Corporates

Credit extension to corporates rose 0.2% m/m but fell by 2.1% y/y in September. The month-on-month expansion was driven by a 2.7% m/m increase in instalment credit and 1.0% m/m increase in 'other loans and advances'. Mortgage loans declined for a fifth consecutive month with a month-on-month decrease of 1.0%, translating to a year-on-year contraction of 4.9%. Despite the month-on-month increase, the annual growth rate in 'other loans and advances' remained steady at 5.5% y/y in September. Despite a modest increase in September, overall credit demand by Namibian corporates remains weak.

Annual Credit Growth (Corporates)



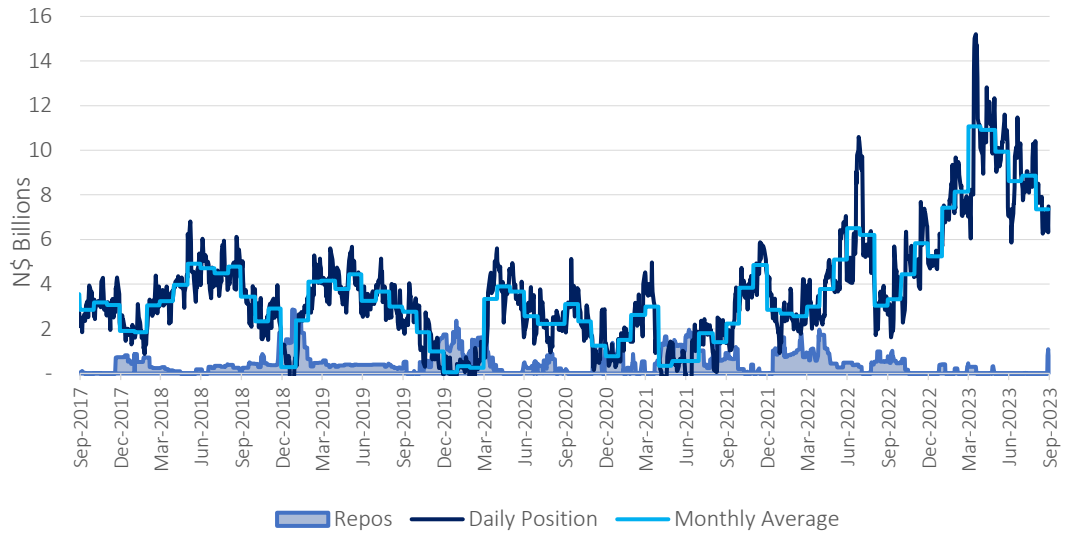
Source: Bank of Namibia, IJG Securities

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## Banking Sector Liquidity

The commercial banks' overall liquidity position decreased by N\$1.5 billion to an average of N\$7.36 billion in September, relative to the N\$8.86 billion recorded in August 2023. The BoN ascribed the decrease to lower government spending, lower diamond sales and more cash being placed in BoN bills.

### Namibian Banking Liquidity

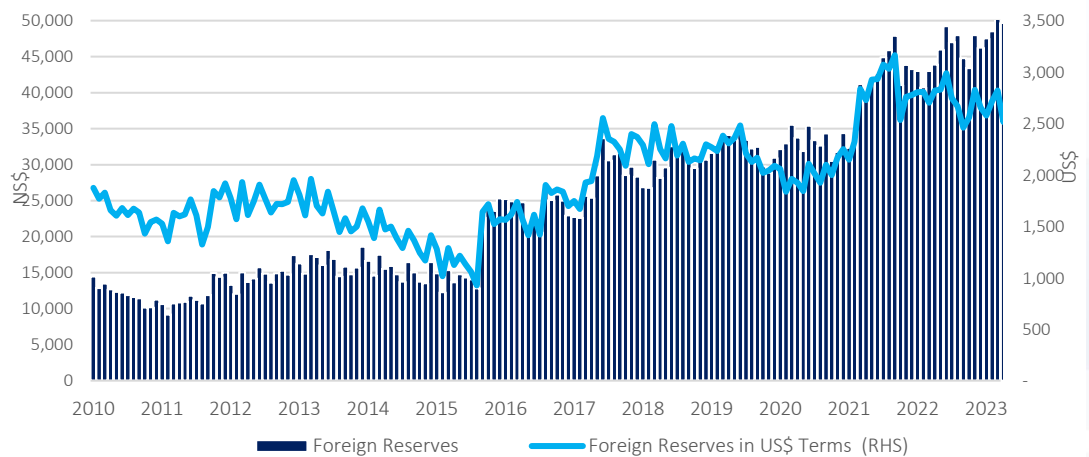


Source: Bank of Namibia, IJG Securities

## Money Supply and Reserves

According to the BoN's latest monetary statistics, broad money supply rose by N\$10.2 billion or 7.9% y/y in September. The stock of international reserves decreased by 3.4% m/m or N\$1.8 billion to N\$53.8 billion, translating to 5.6 months of import cover. The decline is attributable to government payments and outflows from commercial banks, as reported by the BoN.

### Foreign Reserves



Source: Bank of Namibia, IJG Securities





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## Outlook

Overall credit demand remained sluggish in September. Although there was a slight increase in credit uptake by corporates, this more than offset by the repayments by individuals, resulting in a decline in PSCE during September. The annual growth rate slowed to levels last witnessed in November 2021. As mentioned in our previous report, PSCE growth has been muted since the pandemic started in 2020 and continues to trend well below inflation. The persistent high interest rates have kept the private sector cautious of entering into long-term debt commitments, and commercial banks wary of extending credit. With interest rates unlikely to be cut before mid-2024, we remain of the view that we do not anticipate a significant improvement in overall PSCE growth in the short term.

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