

Private Sector Credit Extension

January 2024

0.0005	4.85%
0.0003	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
Corporates	46,472.1	493.5	940.3	1.07%	2.07%
Individuals	66,828.3	180.1	1,708.0	0.27%	2.62%
Mortgage Loans	59,255.7	16.1	761.4	0.03%	1.30%
Other Loans & Advances	28,464.7	(118.1)	(5.9)	-0.41%	-0.02%
Overdrafts	13,340.7	695.6	496.7	5.50%	3.87%
Instalment Credit	12,239.3	80.0	1,396.2	0.66%	12.88%
Total PSCE*	113,300.3	673.6	2,648.3	0.60%	2.39%

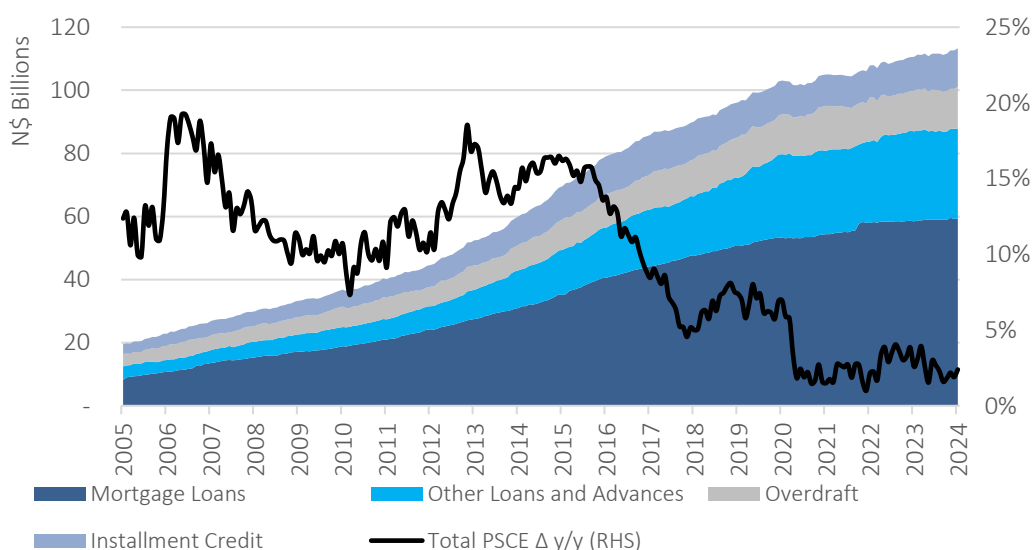
**Normalised for claims on non-resident private sectors*

Source: Bank of Namibia, IIG Securities

Private sector credit (PSCE) grew by a meagre 0.6% m/m, translating to subdued annual growth of 2.39% in January 2024. The normalised cumulative credit outstanding amounted to N\$113.3bn (removing the interbank swaps the Bank of Namibia (BoN) accounts for in non-resident private sector claims). Over the past twelve months, N\$2.6 billion worth of credit was extended to the private sector, which is 5.2% less than the N\$2.79 billion issued over the same period a year ago. According to the BoN's data, the growth was driven by businesses while growth in the credit by households has moderated.

The figure below shows the distribution of the loan book amongst different loan facilities. As of January 2024, mortgage loans account for 52.3% of total credit extended, while other loans and advances make up 25.1%, overdrafts 11.8% and instalment credit 10.8%. Over the past year, mortgage loans grew by a meagre 1.3% y/y as at the end of January, while instalment credit rose by 12.9% y/y and overdrafts grew by 3.9% y/y. 'Other loans and advances' meanwhile remained steady year-on-year.

Private Sector Credit Outstanding and Growth



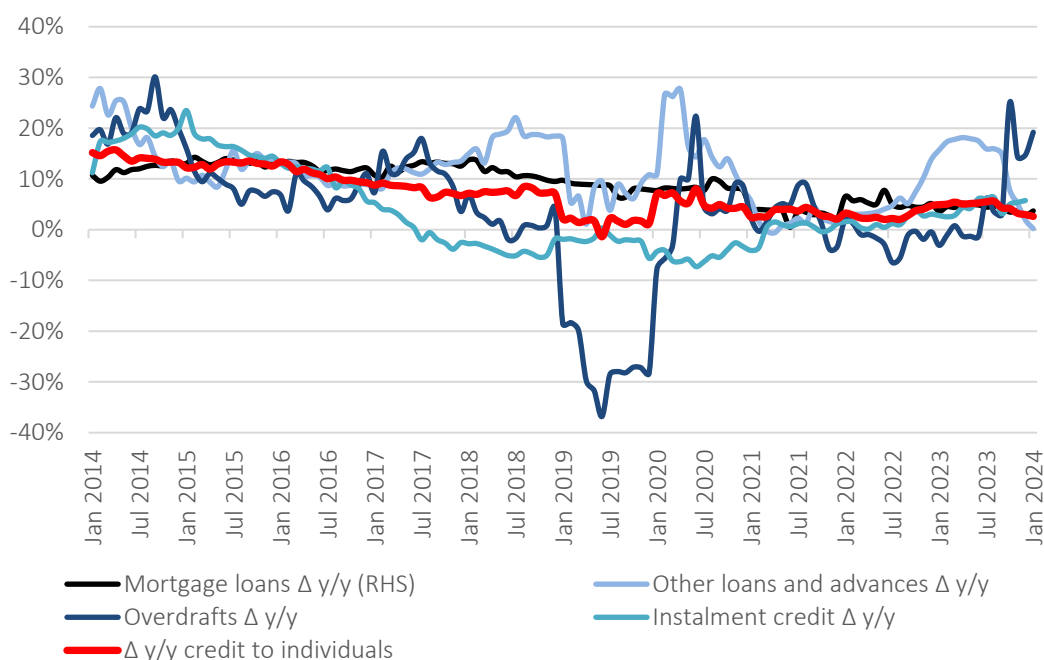
Source: Bank of Namibia, IIG Securities

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

Credit Extension to Individuals

Annual growth in credit extended to individuals came in at 2.62% in January, the slowest since September 2022. The growth was driven by the continued demand for overdraft facilities (\uparrow 19.2% y/y), followed by leasing and instalment credit (\uparrow 5.8% y/y), and mortgage loans (\uparrow 2.3% y/y). Individuals were net repayors of other loans and advances (\downarrow 1.1% y/y). All sub-categories, bar mortgage loans, grew month-on-month, with overdrafts witnessing the quickest growth at 4.9% m/m.

Annual Credit Growth
(Individuals)



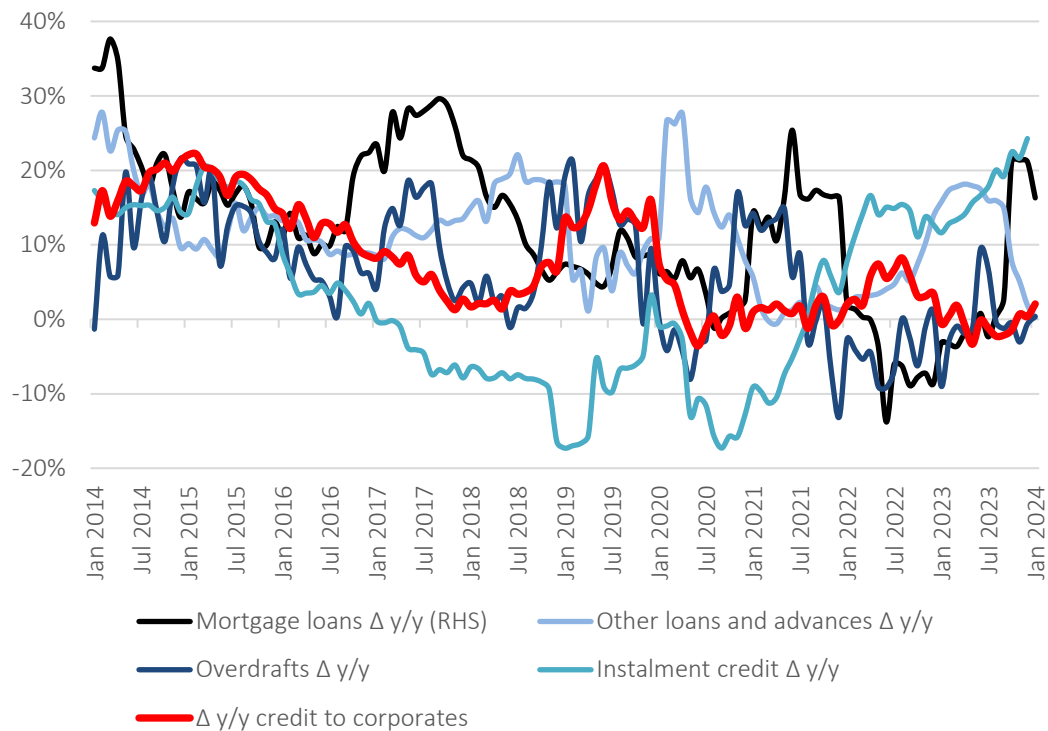
Source: Bank of Namibia, IJG Securities

Credit Extension to Corporates

Credit extended to corporates grew at the quickest rate since December 2022 on an annual basis. Corporate credit outstanding rose by 2.07% y/y, 1.70 percentage points higher than in December 2023. The growth was driven by the continued demand for leasing and instalment credit (\uparrow 24.3% y/y), followed by 'other loans and advances' (\uparrow 0.8% y/y) and overdraft facilities (\uparrow 0.4% y/y). Corporates remained net repayors of mortgage loans (\downarrow 1.7% y/y). The 1.1% m/m growth was primarily driven by overdraft facilities to corporates which rose by 5.7% m/m. According to the BoN, growth in credit increased due higher uptake by corporates in manufacturing, energy and agriculture sectors.

1.3028	▼ 0,0005	4,85%
1.302	▼ 0,0003	13,04%
1.3015	▼ 0,001	50,00%
1.3024	▲ 0,0003	14,29%
1.3015	▼ 0,0005	12,50%

Annual Credit Growth (Corporates)

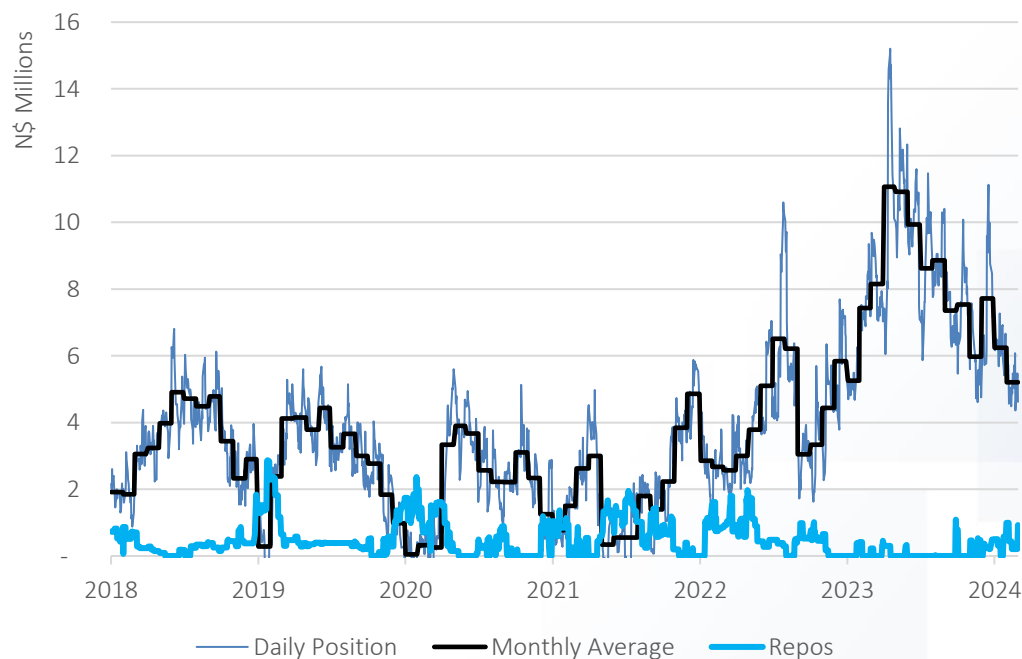


Source: Bank of Namibia, IJG Securities

Banking Sector Liquidity

The commercial banks' overall liquidity decreased by N\$1.47 billion in January to an average of N\$6.24 billion in January. the BoN ascribed the decline to seasonality effects, pointing out that levels usually dip during the first month of the year.

Namibian Banking Liquidity



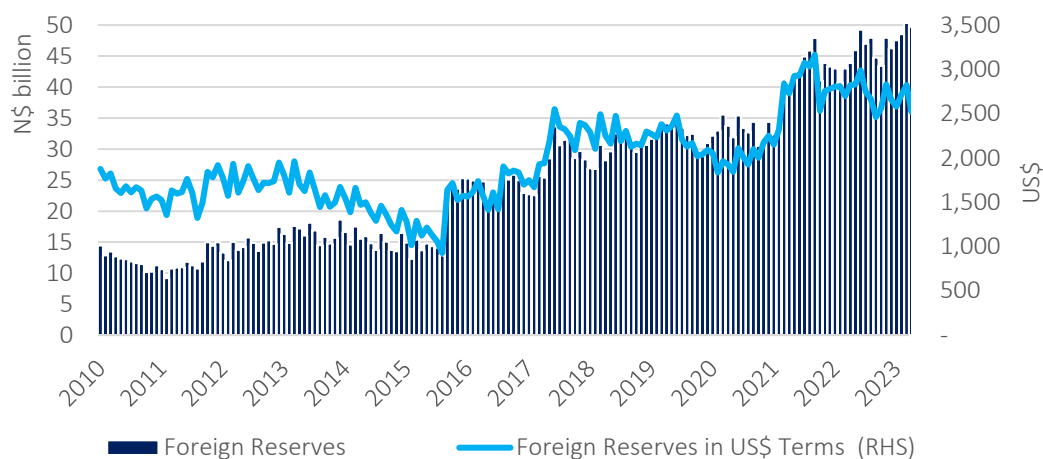
Source: Bank of Namibia, IJG Securities

4.85%
13.04%
50.00%
14.29%
12.50%

Money Supply and Reserves

According to the BoN's latest monetary statistics, broad money supply rose by 10.0% y/y in January 2024, compared to 10.7% y/y in December 2023. The stock of international reserves increased by 4.9% m/m, from N\$54.9 billion in December to N\$55.8 billion in January. The rise can be credited to SACU receipts totalling N\$6.1 billion, alongside the depreciation of the domestic currency. These foreign reserves equate to 4.1 months of import cover, persisting above the global standard of 3.0 months and providing sufficient support for the currency peg.

Foreign Reserves

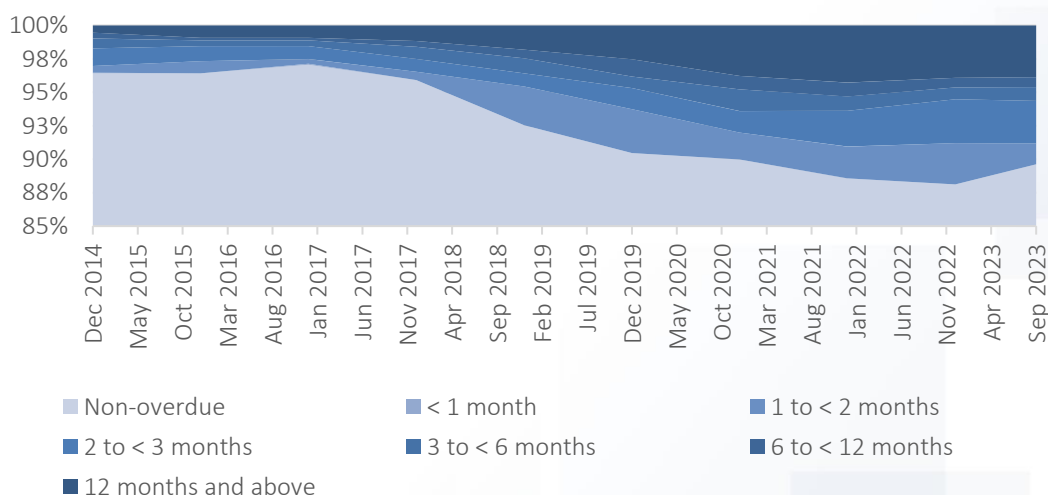


Source: Bank of Namibia, IJG Securities

Non-Performing Loans

Stagnant economic growth between 2016 and 2020, coupled with a sharp increase in interest rates in recent years, has led to a deterioration in the quality of the loan books of the commercial banks. FirstRand's recently released interim results for the end of 2023 revealed that they had a 9% increase in total non-performing loans to N\$2.00bn (compared to N\$1.83 billion at 2022), constituting 5.3% of gross loans and advances. Meanwhile, Capricorn Group reported that escalating inflation rates and heightened interest rates, driven by geopolitical instability, continued to exert pressure on key credit risk indicators. Their non-performing loans rose from N\$2.46 billion at June 2023 to N\$2.66 billion at December 2023, leading to an annual increase in impairment charges by N\$98.0 million to N\$252.9 million. The aggregated industry statistics of the BoN shows that 10.4% of the total loan book was overdue at least one payment at the end of September 2023.

Loan Book Age Analysis



Source: Bank of Namibia, IJG Securities

Outlook

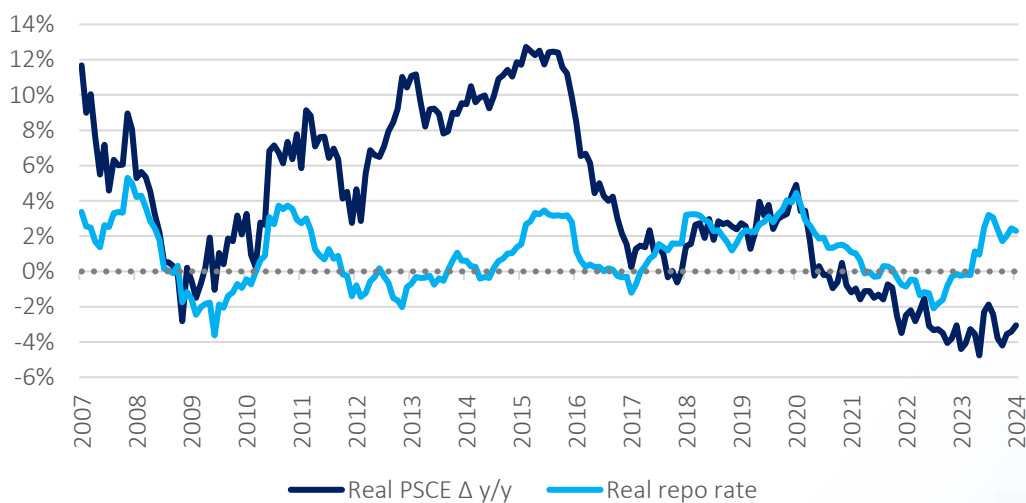
Rapidly rising interest rates aimed at curbing inflation in recent years has placed households in a precarious financial position, prompting an increased reliance on short-term credit facilities, while businesses have scaled back credit uptake, as evidenced by the PSCE growth rates. The repo rate has increased by 400 basis points since the onset of the hiking cycle, reaching 7.75%—its highest level since April 2009, although still relatively low by historical standards.

The sustained negative trajectory of real PSCE growth over the past 43 consecutive months, coupled with inflationary pressures, signifies stringent financial conditions within the economy. The persistence of PSCE growth at such low levels raises concerns, indicating that credit has become unaffordable for corporates and that consumer spending remains subdued, which in turn provides little incentive for corporates to take up credit for expansion.

As mentioned before, the fact that the repo rate has surpassed the inflation rate, resulting in a positive real repo rate since April 2023, highlights the tight monetary environment. We anticipate that the growth in uptake of credit will not witness a turnaround until there's a reduction in interest rates. However, any impact from such a shift is unlikely to be immediate, as consumers will continue to prioritise loan repayments over new borrowings.

We anticipate a subdued response to lower interest rates in 2024, with expectations for modest growth in net credit uptake. Realistically, significant changes in interest rates conducive to stimulating credit uptake may only materialise in 2025.

Real PSCE Growth
and Real Repo Rate



Source: Bank of Namibia, IJG Securities



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