Private Sector Credit Extension
February 2024

Overview

Category	N$ Millions Outstanding	Change in N$ Millions One Month	One Year	% Change m/m	y/y
Corporates	**46,248.1**	**(224.0)**	**255.1**	**-0.48%**	**0.55%**
Individuals	**66,916.3**	**88.0**	**1,593.1**	**0.13%**	**2.44%**
Mortgage Loans	59,216.4	(39.2)	499.6	-0.07%	0.85%
Other Loans & Advances	28,636.3	171.6	107.3	0.60%	0.38%
Overdrafts	12,931.9	(408.9)	(202.3)	-3.06%	-1.54%
Instalment Credit	12,379.8	140.6	1,443.6	1.15%	13.20%
Total PSCE*	**113,164.4**	**(135.9)**	**1,848.2**	**-0.12%**	**1.66%**

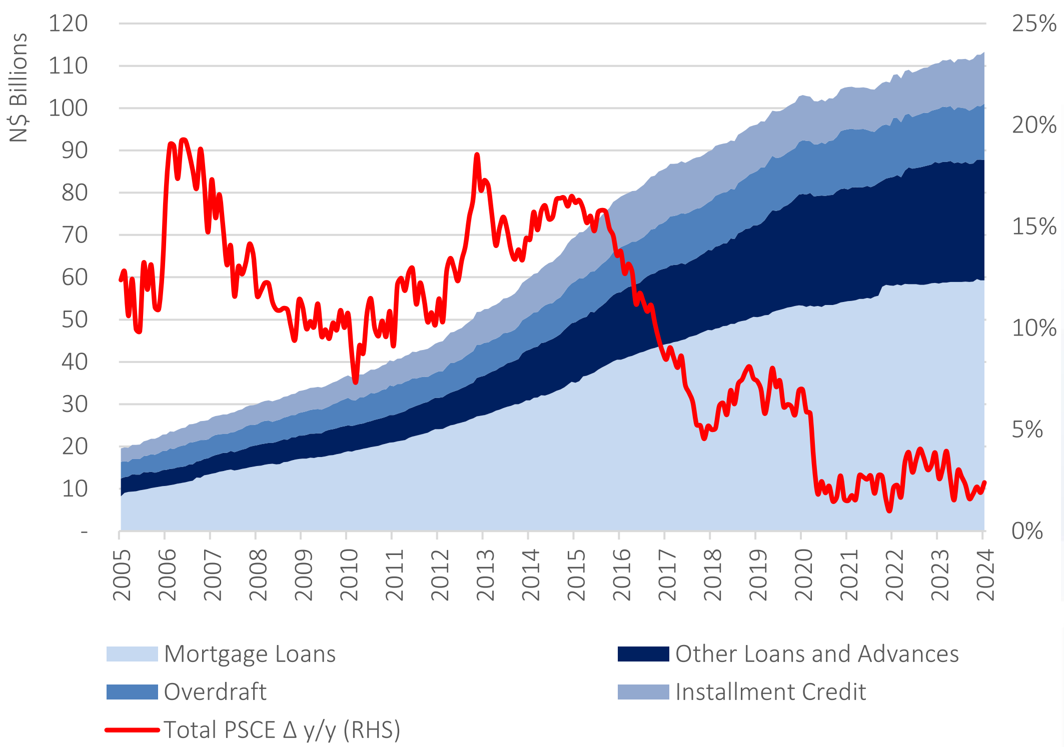
**Normalised for claims on non-resident private sectors*

Source: Bank of Namibia, IJG Securities

Private sector credit (PSCE) contracted by 0.12% m/m, translating to a subdued annual growth of 1.66% in January 2024. The normalised cumulative credit outstanding amounted to N$113.2bn (removing the interbank swaps the Bank of Namibia (BoN) accounts for in non-resident private sector claims). According to the BoN, lower demand from households, coupled with repayments from corporates in the mining, transport, fishing, wholesale and retail sectors attributed to the subdued growth in PSCE.

The figure below shows the distribution of the loan book amongst different loan facilities. At the end of February 2024, mortgage loans accounted for 52.3% of total credit extended, while 'other loans and advances' made up 25.3%, overdrafts 11.4% and instalment credit 10.9%. Over the past year, mortgage loans grew by a meagre 0.9% y/y as at the end of February, while instalment credit rose 13.2% y/y and 'Other loans and advances' rose 0.4% y/y. Overdrafts contracted by 1.54% y/y mainly due to net repayments by mining, transport, wholesale and retail trade corporates.

Private Sector Credit Outstanding and Growth



Source: Bank of Namibia, IJG Securities

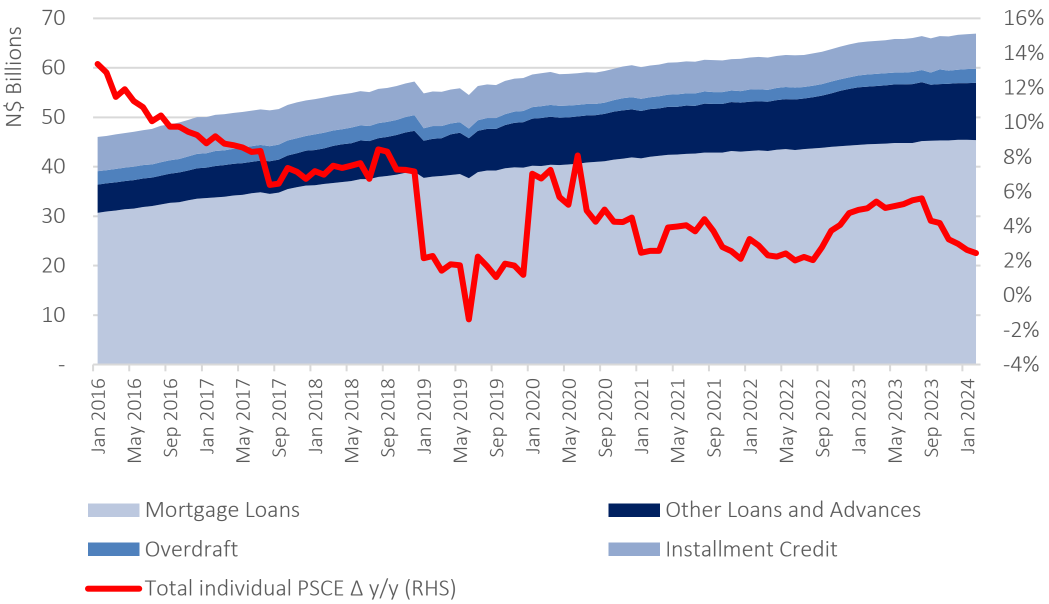
Credit Extension to Individuals

Annual growth in credit extended to individuals came in at 2.4% in February, the slowest since August 2022. The growth was witnessed in overdraft facilities (↑ 18.5% y/y), followed by leasing and instalment credit (↑ 6.2% y/y), and mortgage loans (↑ 1.9% y/y). Individuals were net repayors of other loans and advances (↓ 1.1% y/y). Although overdraft facilities have the highest growth rate, it only accounts for 4% of the loan book owed by individuals.

Although mortgage loans posted the smallest positive growth, it accounts for the majority of the loan book owed by individuals (68%). At the same time, it recorded the largest increase in value over the past 12-months. N$863.8m more mortgage loans was granted to individuals since end of February 2023, accounting for 54% of the total credit extended to individuals during the 12-months. Certainly, the substantial exposure of individuals to mortgage loans is further stressed by the escalating value of the housing market. This suggests a continued trend of growing indebtedness as housing prices rise. According to the FNB's House Price Index Report of 3Q23, the 12-month average growth stood at 3.3% at 3Q23, compared to a 6.2% at the end of 2Q23.

All sub-categories, except mortgage loans, grew on a monthly basis, with overdrafts witnessing the quickest growth at 1.0% m/m. Mortgage loans decreased by a meagre 0.1% m/m, resulting in total net repayments of N$44.6m.

Outstanding Debt and Annual Credit Growth (Individuals)



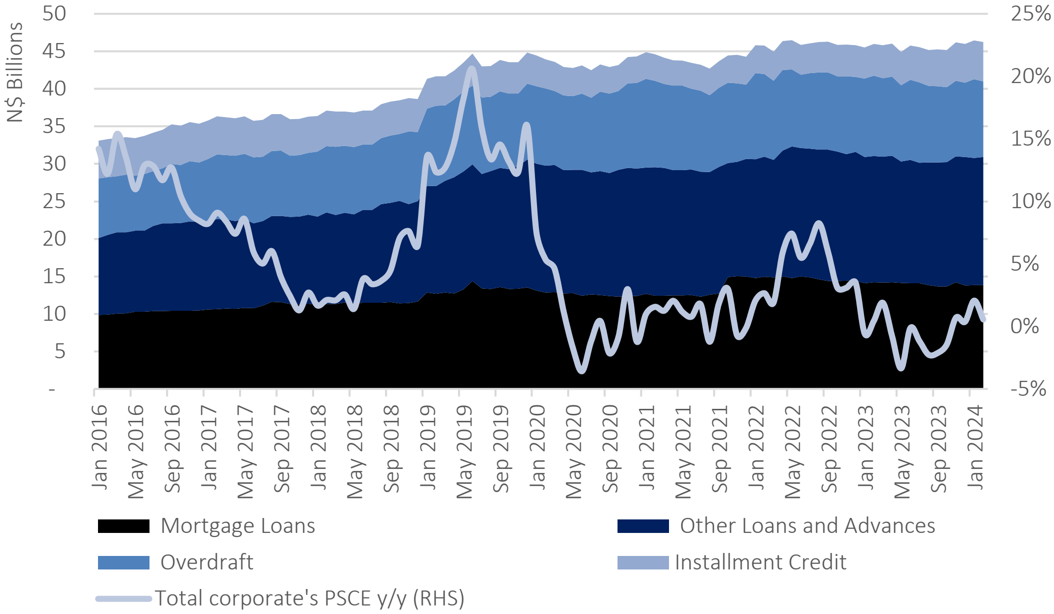
Source: Bank of Namibia, IJG Securities

Credit Extension to Corporates

Corporate credit outstanding rose 0.6% y/y in February, 1.5 percentage points higher than the 2.1% y/y growth in January. The growth was driven by the continued demand for leasing and instalment credit (↑ 24.2% y/y), followed by 'other loans and advances' (↑ 1.4% y/y) and overdraft facilities (↑ 0.4% y/y).

Although instalment credit posted high growth rates, it accounts for the smallest portion (11%) of corporate debt. The loan book of corporates is more diverse than that of individuals. 37% of the loan book consist of 'other loans and advances', 30% are mortgage loans, 22% overdraft facilities and the remaining 11% are instalment credit. Corporates' overdraft facilities declined by 6.1% y/y – the largest decline since January 2023 – and they remained net repayors of mortgage loans (↓ 2.6% y/y).

Outstanding Debt and Annual Credit Growth (Corporates)

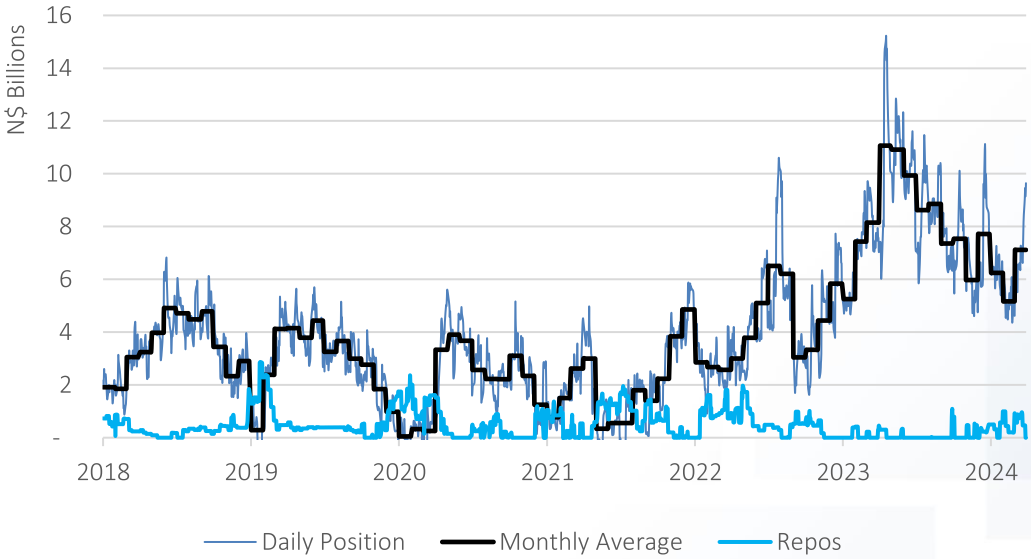


Source: Bank of Namibia, IJG Securities

Banking Sector Liquidity

Commercial banks' overall liquidity increased by N$1.24bn in February to an average of N$5.16bn, compared to N$6.24bn in January. The BoN ascribed the decline to lower diamond sales and commercial bank outflows for payments and investment purposes. However, liquidity increased by N$5.02bn in March to an average of N$7.12bn. According to the BoN, diamond sales and government spending are the drivers for the increased liquidity. Specifically, government spending entails the release of unused funds from the FY2023/24 budget by the government to commercial banks to avoid the loss of funds.

Namibian Banking Liquidity

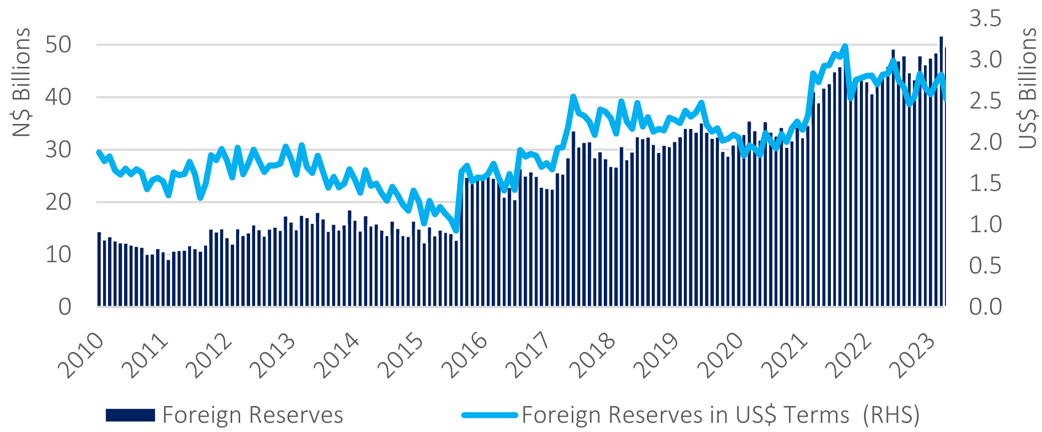


Source: Bank of Namibia, IJG Securities

Money Supply and Reserves

According to the BoN's latest monetary statistics, broad money supply rose 10.3% y/y in February, compared to 10.0% y/y in January 2024. The stock of international reserves decreased marginally by 0.7% m/m, from N$55.8bn in January to N$55.4bn in February. The drop can be credited to higher net commercial bank outflows and government payments, alongside the depreciation of the domestic currency. These foreign reserves equate to 3.9 months of import cover, lower than the 4.1 recorded in January but persisting above the global standard of 3.0 months and providing sufficient support for the currency peg.

Foreign Reserves



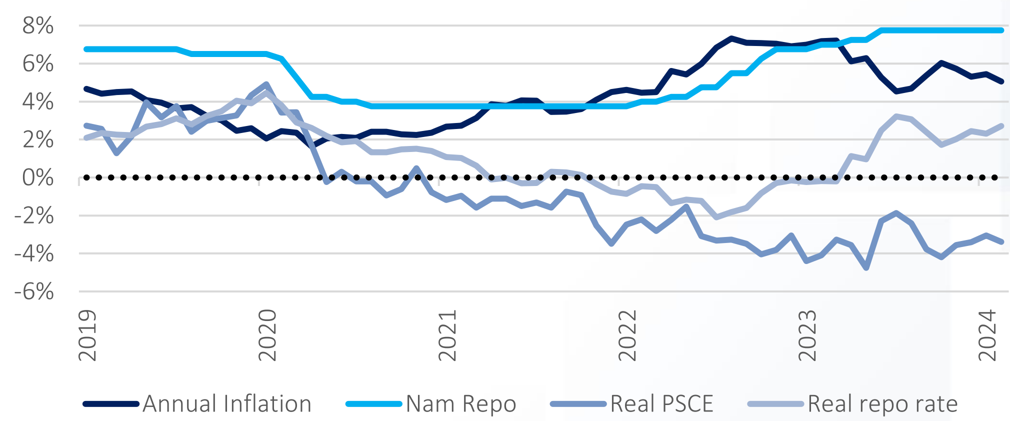
Source: Bank of Namibia, IJG Securities

Outlook

Cooling inflation, combined with the persistently high 7.75% repo rate, have led to a continued rise in the real repo rate into positive territory. As noted in previous reports, this indicates a restrictive monetary policy stance.

Inflation is anticipated to tick up in the coming months, largely due to rising fuel prices, constraining the SARB, and by extension, the BoN's Monetary Policy Committees in their ability to cut the repo rate. The inflation trajectory will serve as an indicator of the expected number of cuts throughout the year. Our stance is that the rate cutting cycle will only start in Q3 and is likely to be shallow, given sticky regional inflation and the SARB's hawkish rhetoric. We therefore do not foresee PSCE growth picking up in the short term.

Real PSCE Growth and Real Repo Rate



Source: Bank of Namibia, IJG Securities

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