

Private Sector Credit Extension

May 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	47,037.2	733.5	2,108.9	1.58%	4.69%
Individuals	67,300.0	297.2	1,473.0	0.44%	2.24%
Mortgage Loans	59,060.5	38.3	151.4	0.06%	0.26%
Other Loans & Advances	30,926.1	1,068.2	2,885.7	3.58%	10.29%
Overdrafts	11,401.8	(379.0)	(1,156.8)	-3.22%	-9.21%
Instalment Credit	12,948.9	303.3	1,701.7	2.40%	15.13%
Total PSCE*	114,337.2	1,030.7	3,581.9	0.91%	3.23%

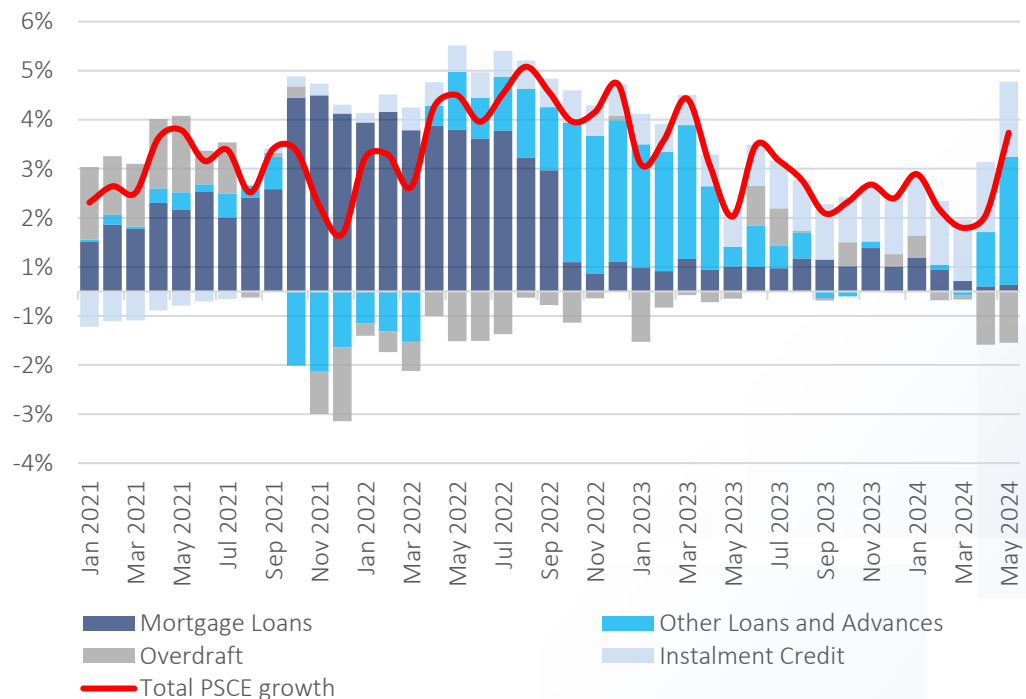
*Normalised for claims on non-resident private sectors

Source: Bank of Namibia, IJG Securities

The subdued rate at which credit has been extended saw a slight uptick in May 2024. **Private sector credit extension (PSCE) rose by 0.91% m/m in May, translating to subdued annual growth of 3.23%.** While this is the highest annual growth in outstanding loans since March 2023, it remains well below inflation and provides little indication of widespread economic recovery. The normalised cumulative credit outstanding amounted to N\$114.34bn (removing the interbank swaps the Bank of Namibia (BoN) accounts for in non-resident private sector claims).

Instalment credit and other loans and advances experienced the largest annual growth among the different credit categories, recording double figure growth rates. Instalment credit rose 15.1% y/y, the highest growth rate for the credit category since 2015. At the same time, other loans and advances grew 10.3% y/y in May, the highest rate since March 2023. Demand for mortgage loans remained subdued (↑ 0.3% y/y) while overdraft facilities were mainly repaid by corporates, causing the drop of 9.2% y/y in May.

Elements of PSCE Growth (pp)



Source: Bank of Namibia, IJG Securities

Over the past twelve months, N\$3.58bn worth of credit was extended to the private sector, which is 114.6% more than the N\$1.67bn issued over the same period a year ago. According to the





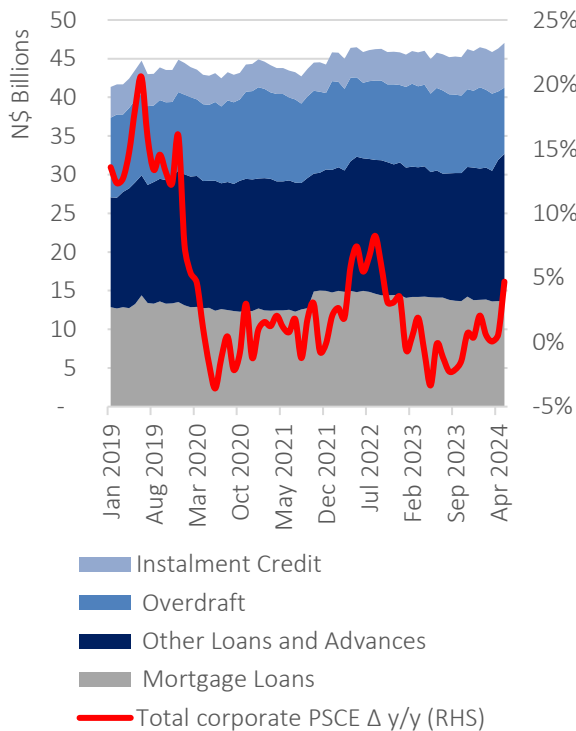
BoN’s data, the increase in credit appetite was driven by businesses (↑ 235.1% credit issued over the past 12 months compared to the same period in the prior year) while households took out 54.4% less credit over the past 12 months compared to the same period in the prior year.

The private sector borrowed a net amount of N\$1.03bn in May, primarily driven by businesses, which accounted for 71% of the total, while households contributed the remaining 29%.

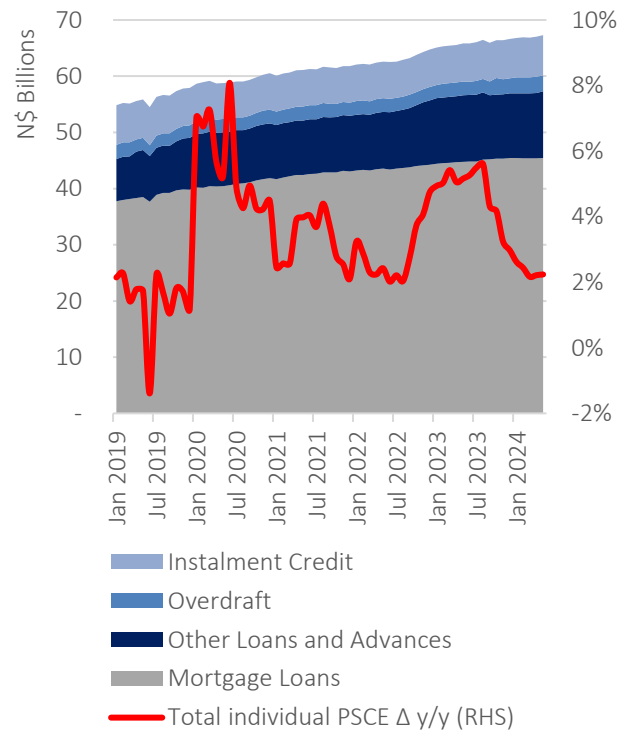
Credit extended to corporates grew by 4.69% y/y in May, the highest growth rate since September 2022. The renewed appetite for credit during May relative to the previous months was driven by higher demand for other loans and advances (↑ 17.7% y/y in May) from the manufacturing and retail sectors. Corporates were net borrowers of instalment credit (↑ 29.06% y/y) supported by increased activity by the tourism sector. Indeed, this means the tourism sector was likely expanding or replacing their self-drive fleet to accommodate more customers. However, corporates remained net repayers of overdraft facilities (↓ 15.05% y/y) and mortgage loans (↓ 3.75% y/y) in May.

Credit extended to individuals grew by a meagre 2.24% y/y in May, primarily due to higher overdraft facilities (↑ 15.1% y/y), instalment credit (↑ 6.0% y/y) and mortgage loans (↑ 1.5% y/y), while other loans and advances grew 0.2% y/y in May. Growth in credit extended to individuals decreased since mid-2023. Market participants have observed a rise in vehicle financing applications from both businesses and individuals, indicating an uptick in demand.

Total Debt Outstanding and Annual Credit Growth (Corporates)



Total Debt Outstanding and Annual Credit Growth (Individuals)



Source: Bank of Namibia, IIG Securities

Source: Bank of Namibia, IIG Securities

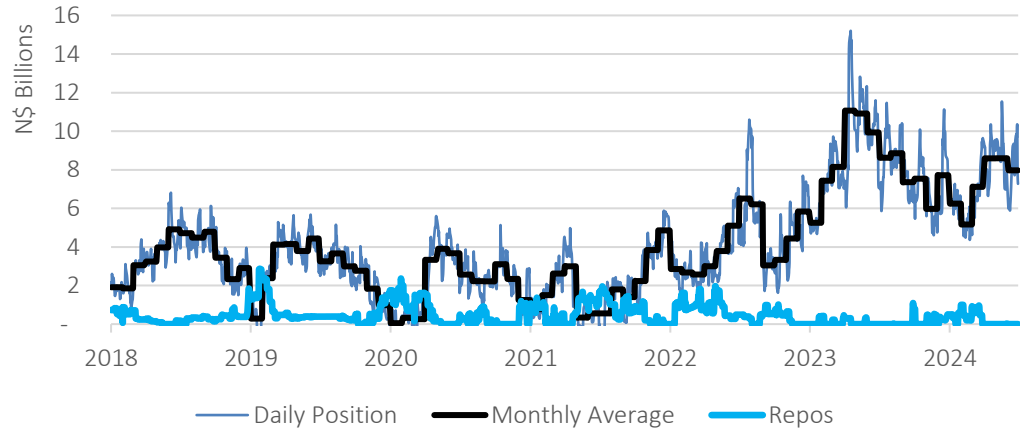
Banking Sector Liquidity

The commercial banks’ overall liquidity position remained high in May at an average of N\$8.60bn. The average dropped by N\$625.5m in June to N\$7.97bn. Indeed, this is in line with the BoN’s expectation for corporates to free up long-term deposits on the back of expected corporate tax payments that were due end of June.





Namibian Banking Liquidity

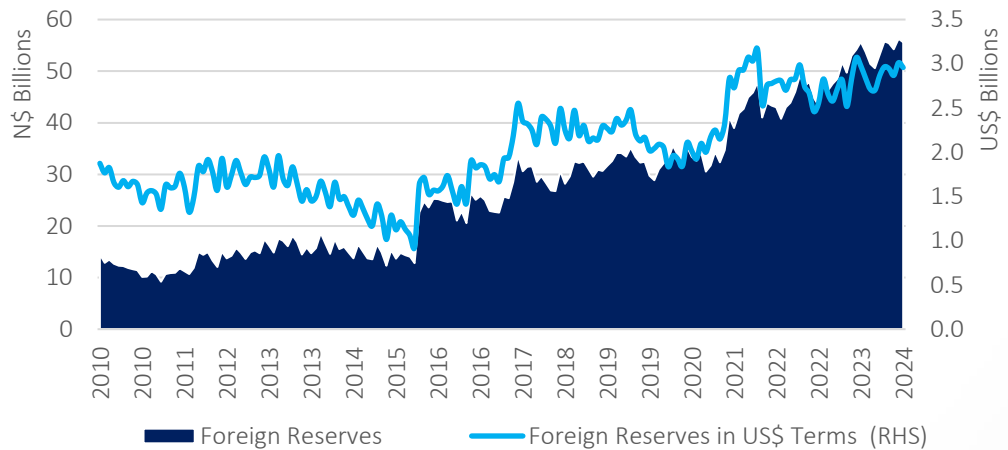


Source: Bank of Namibia, IJG Securities

Money Supply and Reserves

The stock of international reserves decreased by 1.2% m/m, from N\$56.29bn in April to N\$55.59bn in May. The fall was due to higher foreign government payments and Customer Foreign Currency outflows, according to the central bank. These foreign reserves equate to 3.9 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

Outlook

PSCE growth remains subdued for the time being. The positive highlights such as tourism sector driven expansions in instalment credit to corporates remain outliers rather than a trend change by our estimation. We are yet to see meaningful expansion in the consumer’s use of credit, which tends to precede broad based business confidence. This suggests that despite the robust economic growth reflected in real GDP, the benefits of this growth are not evenly distributed yet.



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