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PSCE–April 2014

5June 2014

Almost a billion of new debt in April

	N$ m	Change in N$ m		% Change	
	Apr-14	One month	One year	Apr-14 m/m	Apr-14 y/y
Corporates	23,874.2	584.0	3,266.0	2.5%	15.8%
Individuals	38,096.5	358.3	5,201.7	0.9%	15.8%
Mortgage Loans	32,098.8	544.1	3,652.0	1.7%	12.8%
Other Loans & Advances	7,006.5	99.4	1,015.1	1.4%	16.9%
Overdraft	8,232.2	111.8	740.7	1.4%	9.9%
Instalment Credit	9,347.8	55.1	1,351.1	0.6%	16.9%
Total PSCE	**62,252.6**	**948.7**	**8,476.5**	**1.5%**	**15.8%**

Corporate versus individual growth (y/y)

Source: Bank of Namibia

Overall

Credit extended to the private sector increased by N$948.8million, or 1.5%, in April 2014 to N$62.3billion. On an annual basis PSCE growth accelerated, increasing 15.7% from 14.8% the previous month, with total credit outstanding now N$8.5billion more than a year ago. The growth rate recorded in April was underpinned by strong expansion in both the household and corporate segment of the market. The split between business and private credit in total debt outstanding is 38.5% to 61.5%.

Credit extension to households

Credit extension to households expanded by 0.9% on a monthly basis and 15.8% on an annual basis in April, which is an increase in growth when compared to the preceding month. The on-going strong growth in credit extension to households can be largely ascribed to prolonged and historically low interest rates in Namibia, allowing for the relatively cheap uptake of credit by interest sensitive households.

Growth was recorded across the board for all the sub categories in household credit on a month on month basis, with the main categories driving growth being other loans and advances, which expanded by 1.1%, and mortgage loans, up 1.0%, during the month. Over the past year, the majority of the credit extended to households was in the form of mortgage loans (N$2.9 billion out of a total of N$5.2billion), which expanded by 13.2%, largely reflecting strong house price increases in Windhoek and at the coast. Other loans and advances increased by N$31.2 million in April to a N$526.3 million increase for the year.

Instalment credit is a key driving force underlying overall credit extension, making up 9.7% of total credit extension. Installment credit expanded by 17.8% in April on a year-on-year basis, a slight ease from 18.2% growth in March. Installment sales credit includes credit extended for the purchase of vehicles, electronics and other consumer goods bought with installment contract payments. Broadly speaking, installment credit extension to households is perceived to be “non-productive”, used to purchase consumer goods, most of which are imported, placing pressure on the country’s balance of payments and reserves.

Credit extension to corporates

Credit extension to corporates grew by 15.8%year-on-year in April, up from 13.6% in March. On a monthly basis, credit extension to corporates increased 2.5%. All the sub-categories expanded over the month and on an annual basis. On a year-on-year basis, mortgage loans increased to 11.3%, overdrafts by 5.8%, and “other loans & advances” accelerated 13.6% from an increase of 1.1% in the previous month. Unlike credit extension to households, high growth in credit extended to corporates is unlikely to be as a result of low interest rates, as corporates in Namibia tend to be less sensitive to interest rate changes than households.

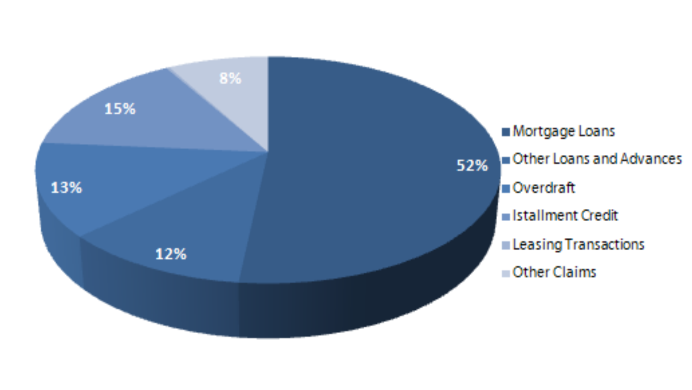
Money Supply and Reserves

Foreign reserves increased 19.8% month-on-month to N$17.5billion at the end of April 2014following a contraction of 12.3% in March. This increase was mainly attributed to SACU receipts during the month under review.

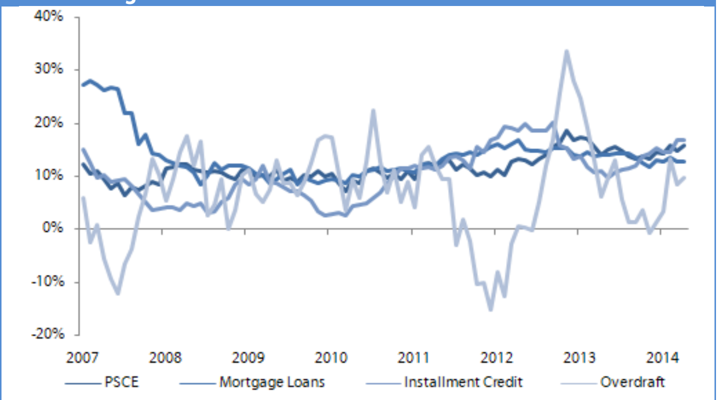
M2 growth eased to 7.8% in April, down from growth of 10.5% in March. The observed slow growth in M2 is reflected in a decline in domestic claims, down 3.6% m/m.

Looking forward, we expect credit growth to remain strong through 2014 despite expectations of interest rate increases, as real income growth is expected to remain elevated given the buoyant economic conditions within the country, which will reinforce demand for credit from households. Additionally, demand for credit from corporates is expected to remain strong, as corporate’s are largely unaffected by the Bank of Namibia’s rates. On the supply side, the closure of the interest rate differential can be expected to put pressure on local commercial banks, which may result in a reduction in credit supply to households and corporates going forward.

Credit Split

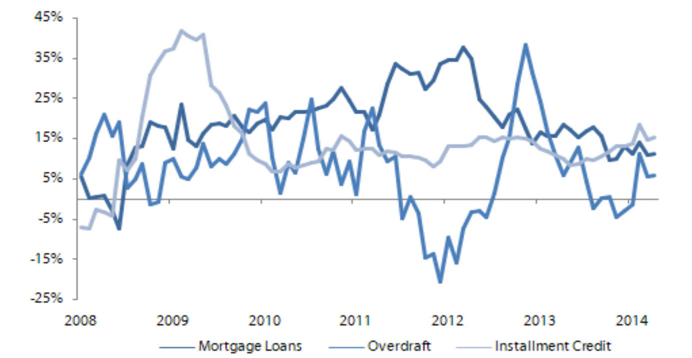


Credit Categories

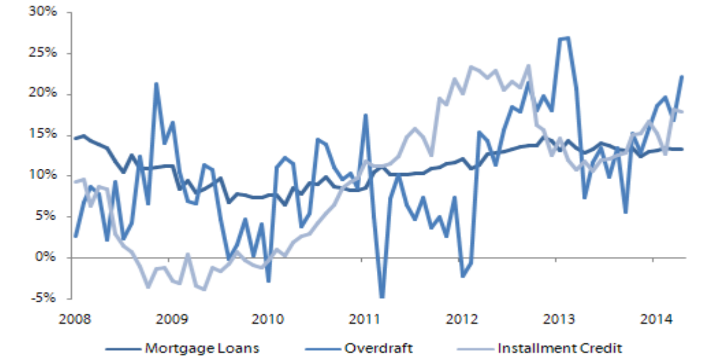


Source: Bank of Namibia

Businesses

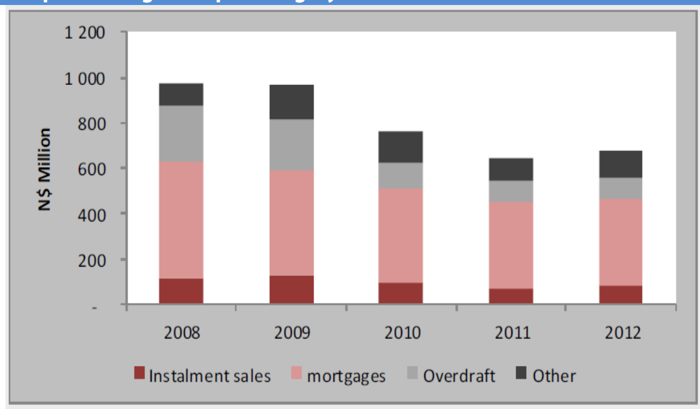


Individuals

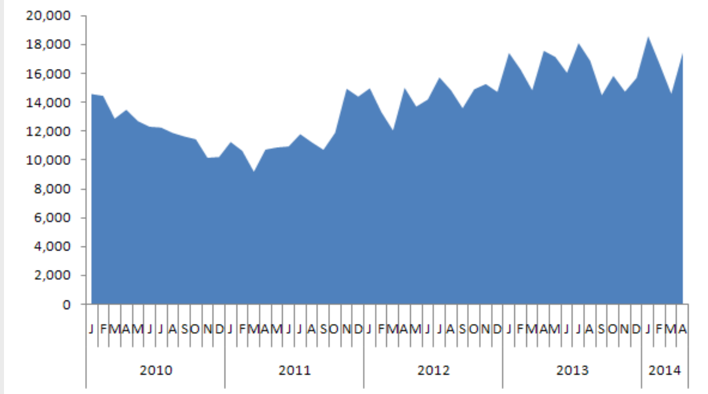


Source: Bank of Namibia

Nonperforming loans per category

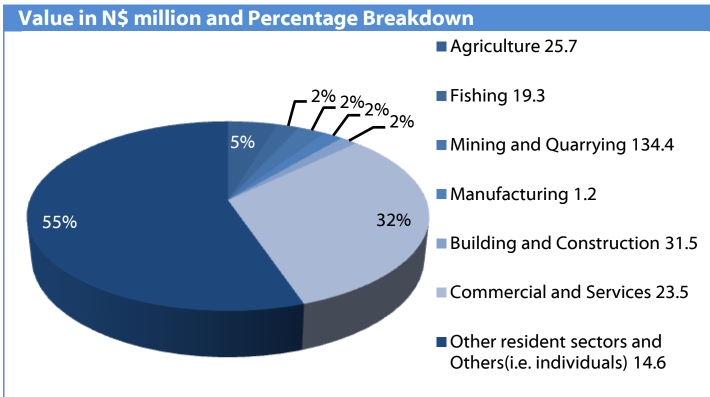


Foreign reserves N$ millions

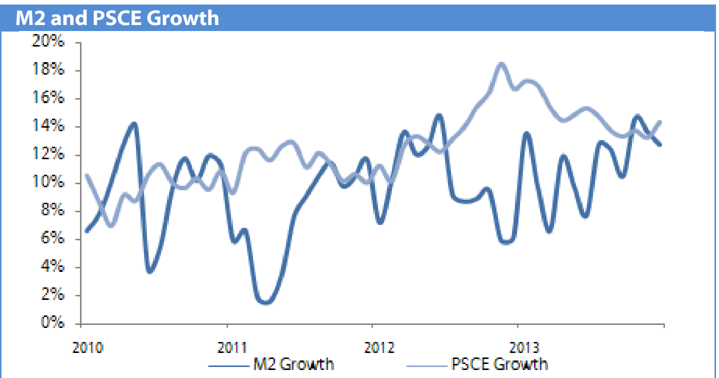


Source: Bank of Namibia

Value in N$ million and Percentage Breakdown



M2 and PSCE Growth



Source: Bank of Namibia

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