

PSCE – May 2014

Jan-Hendrik Conradie - 7 July 2014

Corporates account for more than 85% of the monthly credit uptake

	N\$ m	Change in N\$ m		% Change	
	May-14	One month	One year	May-14 m/m	May-14 y/y
Corporates	24,550.2	676.0	3,828.9	2.8%	18.5%
Individuals	38,203.6	107.1	4,883.4	0.3%	14.7%
Mortgage Loans	32,048.0	(50.9)	3,381.5	-0.2%	11.8%
Other Loans & Advances	7,110.2	103.7	880.5	1.5%	14.1%
Overdraft	8,788.1	555.9	1,437.7	6.8%	19.6%
Instalment Credit	9,422.8	75.0	1,354.6	0.8%	16.8%
Total PSCE	63,042.2	789.5	8,712.1	1.3%	16.0%



Source: Bank of Namibia

Overall

Credit extended to the private sector increased by N\$789.5million, or 1.3%, in May 2014 to N\$63.0billion. On an annual basis PSCE growth accelerated, increasing 16.0% year on year, when compared to 15.7% year on year the preceding month, with total credit outstanding now N\$8.7billion more than a year ago. The growth rate recorded in May was underpinned by strong expansion in the corporate segment of the market, while growth in the individual segment eased during the month. The split between business and private credit in total debt outstanding is 39.1% to 60.9%.

Credit extension to households

Credit extension to households expanded by 0.3% on a monthly basis and 14.7% on an annual basis in May, a slightly slower rate of growth than was seen in the preceding month. The 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 for most of the sub categories in household credit on a month on month basis, with the main categories driving growth being overdrafts, which expanded by 1.8%, and other loans and advances, up 1.2%, during the month. Over the past year, the majority of the credit extended to households was in the form of mortgage loans (N\$2.8 billion out of a total of N\$4.8billion), which expanded by 12.6% from last year, largely reflecting strong house price increases in Windhoek and at the coast. Other claims decreased by N\$139.9million in May to a N\$246.3 million increase for the year.

Instalment credit is a key driving force underlying overall credit extension, making up 10.6% of total credit extension. Instalment credit expanded by 18.0% in May on a year-on-year basis, a slight increase from 17.8% growth in April. Instalment sales credit includes credit extended for the purchase of vehicles, electronics and other consumer goods bought with instalment contract payments. Broadly speaking, instalment 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 18.5% year-on-year in May, up from 15.8% in April. On a monthly basis all the sub-categories, except mortgage loans expanded during the month in question. On a year-on-year basis, mortgage loan growth eased to 8.8% and "other loans & advances" growth slowed to 9.4%, while overdraft growth accelerated 19.8% from 5.9% 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.

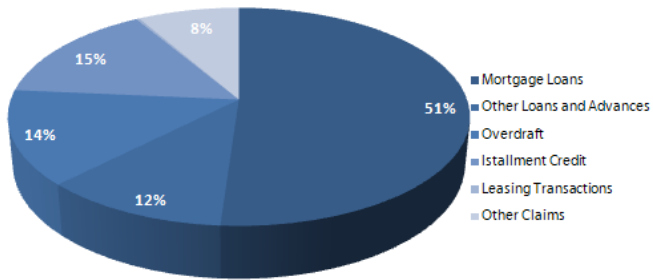
Money Supply and Reserves

Foreign reserves decreased 11.1% month-on-month to N\$15.5billion at the end of May 2014, following an increase of 19.8% in April. This decline was on account of net government payments and commercial bank net capital outflows during the review period, however following an interest rate increase and tax payments in June, and with a SACU receipt on July 1st, reserve levels are likely to have rebounded significantly from the May level.

M2 growth increased to 8.8% in May, up from growth of 7.8% in April. The increase mainly emanated from an increase in the net foreign assets of other depository corporations, up 2.9% m/m.

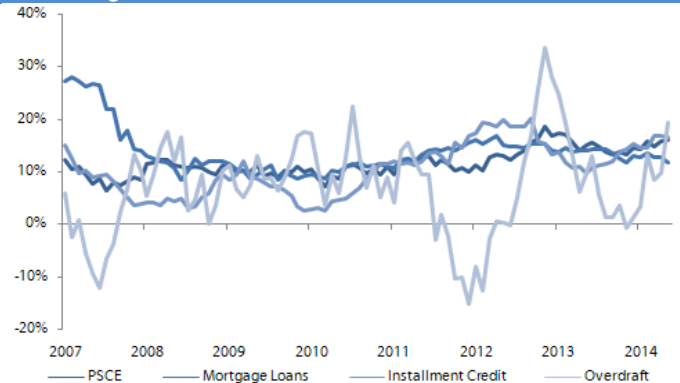
Looking forward, we expect credit growth to remain strong through 2014 despite the 25bps rate hike in June and further expectations of interest rate increases, as real income growth is expected to remain elevated given the buoyant economic conditions within the country, which will reinforce demand for 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.

Credit Split

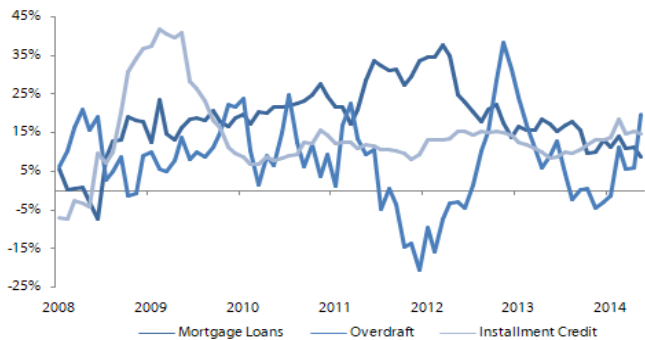


Source: Bank of Namibia

Credit Categories

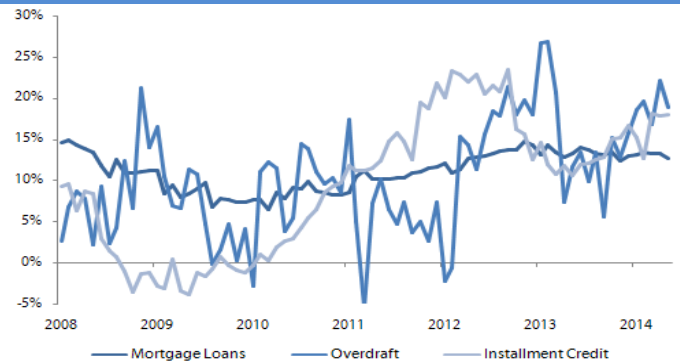


Businesses

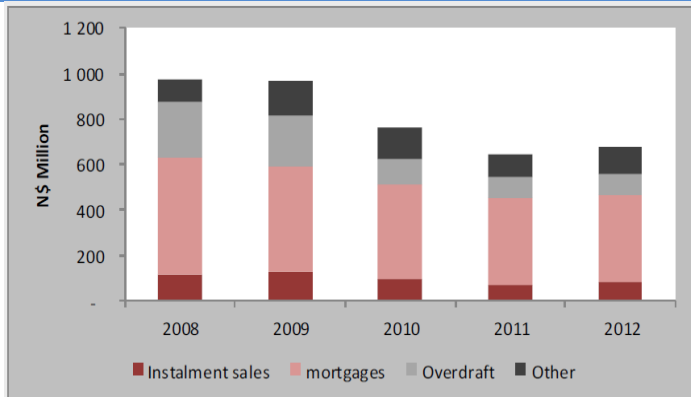


Source: Bank of Namibia

Individuals

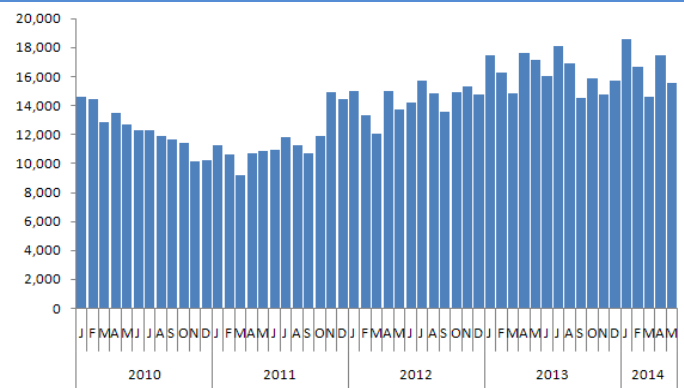


Nonperforming loans per category

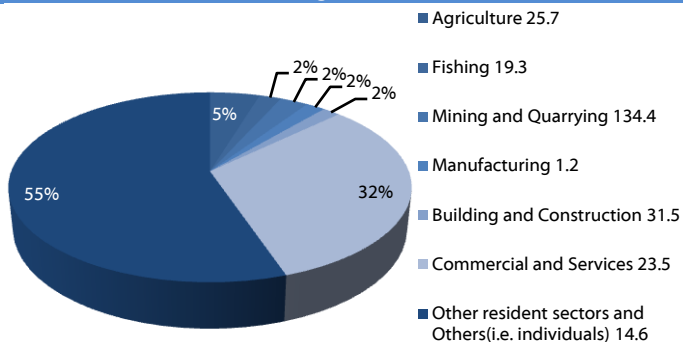


Source: Bank of Namibia

Foreign reserves N\$ millions

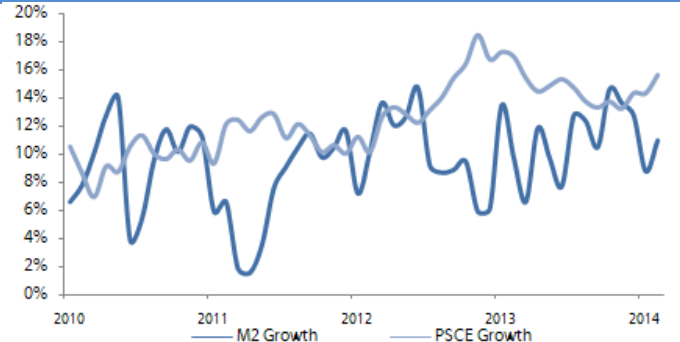


Value in N\$ million and Percentage Breakdown



Source: Bank of Namibia

M2 and PSCE Growth



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