

PSCE–August 2014

03 October 2014

Net PSCE issuance peaks, Corporates expand most

	N\$ m	Change in N\$ m		% Change	
	Aug-14	One month	One year	Aug-14 m/m	Aug-14 y/y
Corporates	25 142.6	473.3	4 133.1	1.92%	19.67%
Individuals	39 425.8	463.9	4 896.9	1.19%	14.18%
Mortgage Loans	33 178.6	469.3	3 577.5	1.43%	12.09%
Other Loans & Advances	6 640.5	15.0	246.3	0.23%	3.85%
Overdraft	8 760.3	274.6	1 481.2	3.24%	20.35%
Instalment Credit	9 918.0	134.6	1 568.0	1.38%	18.78%
Total PSCE	64 869.8	944.3	9 107.9	1.48%	16.33%

Corporate versus individual growth (y/y)



Source: Bank of Namibia

Overall

Credit extended to the private sector increased by N\$944.3m, or 1.48%, in August 2014, taking total credit outstanding to N\$64.9 billion. On an annual basis PSCE growth picked up by 0.8 percentage points, to 16.3%. As such, a net total of N\$9.70 billion worth of credit has been extended over the last year. This is the highest level of net issuance seen over a 12 month period in the history of the country, as high growth continues to be seen off an ever increasing base. Of this N\$9.70bn, approximately N\$4.03bn was issued to businesses, while N\$5.57bn was taken up by individuals.

Credit extension to households

Credit extension to households expanded by 1.2% on a monthly basis and 14.2% on an annual basis in August, 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.

With the exception of leasing transactions and other claims all the sub categories in household credit grew on a month on month basis. The largest growth was seen in overdrafts which expanded by 2.75%, followed by instalment credit which rose 1.57% month on month. Mortgage credit is still by far the biggest component of credit extended to households contributing N\$2.8 billion of the N\$4.9 billion increase seen for the year and N\$300 million on a month on month basis. This is largely due to households taking advantage of the low borrowing costs currently in play.

Instalment credit makes up the second largest component of credit extended to households (16.3%) and is also the second quickest growing component as stated above. Instalment credit is often used to purchase consumer goods and could be seen as a non-productive utilization of credit. If this number continues rising in a rising interest rate cycle it could put pressure on household financial health.

Credit extension to corporates

Credit extension to corporates grew by 19.7% year-on-year in August, up from 17.2% in July. On a monthly basis all the sub-categories grew except for other loans and advances which fell slightly. Leasing transactions grew by the biggest percentage (7.7%) but represents only 0.9% of the credit extended to corporations. Overdrafts grew by 3.4% for the month after declining in the previous month. Mortgage loans, the largest component of credit extended to corporations, grew by 2.4% for the month. Overall for the month credit extended to corporations rose 1.9%.

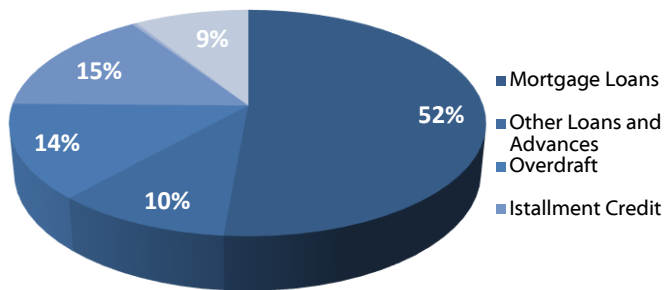
Money Supply and Reserves

Foreign reserves declined by 7.0% month on month in August after declining by 7.2% month on month for July. This is quite a significant drop from the high of January, from N\$18.6 billion in January to N\$13.7 billion in August.

Annual M2 growth decreased to 8.4% in August, down from growth of 10.3% in July. Although growth in M2 slowed it can still be considered reasonable with only the transferable deposits component falling slightly.

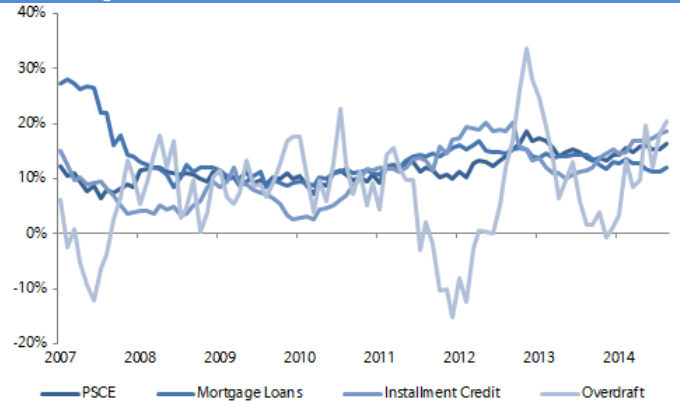
Looking forward we expect to see further strong credit growth despite an anticipation of rate hikes towards the end of the year. Real income growth is expected to remain elevated given the expansive economic conditions that are still prevalent within Namibia which will continue to reinforce demand for credit.

Credit Split

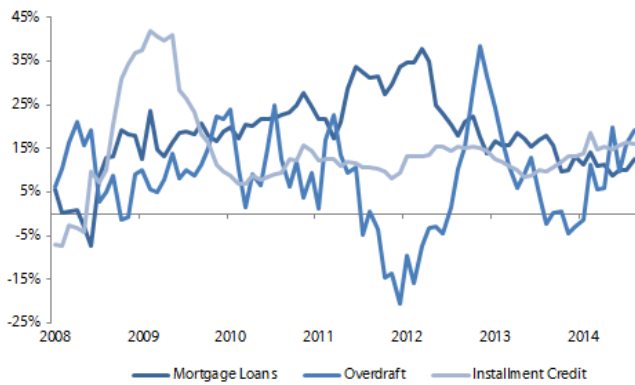


Source: Bank of Namibia

Credit Categories

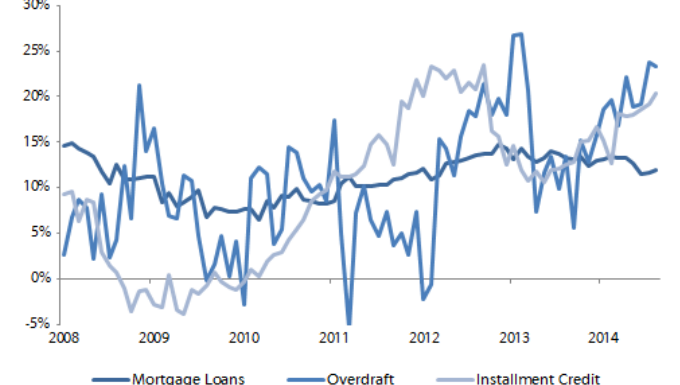


Businesses

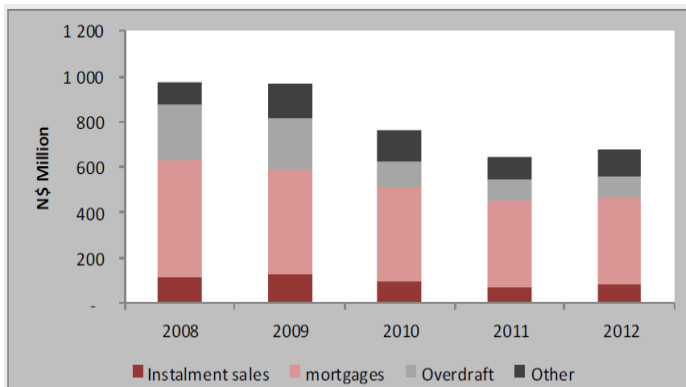


Source: Bank of Namibia

Individuals

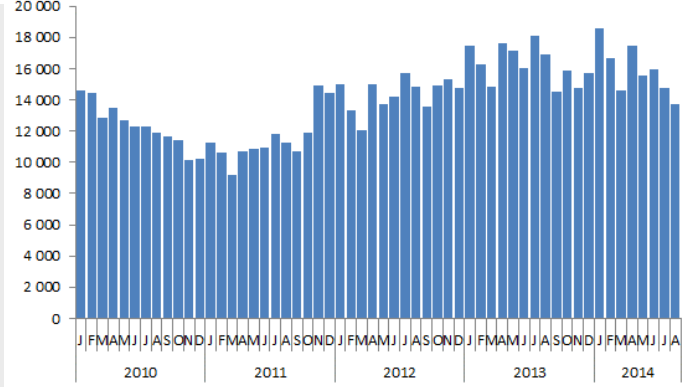


Nonperforming loans per category

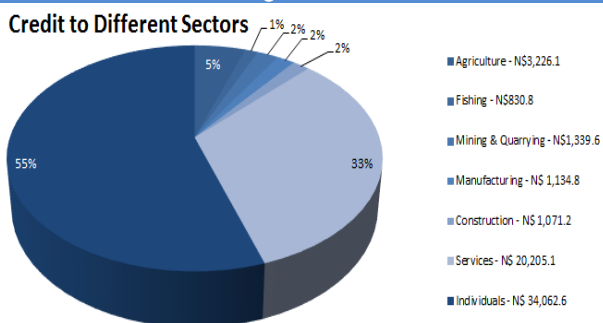


Source: Bank of Namibia

Foreign reserves N\$ millions

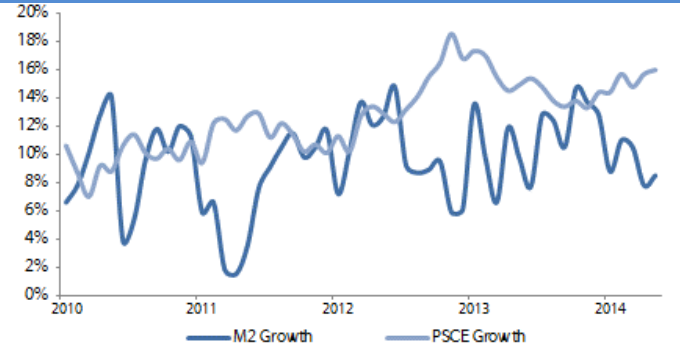


Value in N\$ million and Percentage Breakdown



Source: Bank of Namibia

M2 and PSCE Growth





Stockbroking | Advisory | Money Market | Research | Consulting

Managing Director

Romé Mostert
Tel: +264 (61) 383 520
rome@ijg.net

Sales and Research

Rowland Brown
Tel: +264 (61) 383 513
rowland@ijg.net

Jan-Hendrik Conradie
Tel: +264 (61) 383 523
janhendrik@ijg.net

Money Market & Administration

Leon Maloney
Tel: +264 (61) 383 521
leon@ijg.net

Tashiya Shekutamba
Tel: +264 (61) 383 511
tashiya@ijg.net

Director

Mark Späth
Tel: +264 (61) 383 510
mark@ijg.net

Financial Manager

Jakob de Klerk
Tel: +264 (61) 383 517
jakob@ijg.net

IJG Direct

Naike Burger
Tel: +264 (61) 383 515
naike@ijg.net

Equity & Fixed Income Dealing

Nigel Mubita
Tel: +264 (61) 383 514
nigel@ijg.net

Stuart Main
Tel: +264 (61) 383 512
stuart@ijg.net



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100 Robert Mugabe Avenue, Heritage Square, P O Box 186, Windhoek, Namibia

Tel: +264 (61) 383 500 Fax: +264 (61) 304 671 www.ijg.net

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