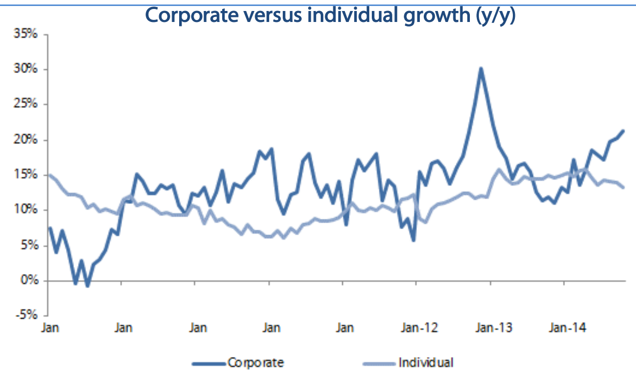
PSCE–October 2014

08 December 2014

Net PSCE issuance peaks, Corporates expand most

	N$ m	Change in N$ m		% Change	
	Oct-14	One month	One year	Oct-14 m/m	Oct-14 y/y
Corporates	26 308.8	721.8	4 632.5	2.82%	21.37%
Individuals	40 157.2	435.8	4 688.8	1.10%	13.22%
Mortgage Loans	33 921.2	457.1	3 932.4	1.37%	13.11%
Other Loans & Advances	6 836.3	(40.4)	93.1	-0.59%	1.38%
Overdraft	8 830.0	125.7	1 046.5	1.44%	13.45%
Instalment Credit	10 230.3	150.5	1 519.4	1.49%	17.44%
Total PSCE	**66 789.6**	**1 168.4**	**9 416.7**	**1.78%**	**16.41%**

Corporate versus individual growth (y/y)



Source: Bank of Namibia

Overall

Credit extended to the private sector increased by N$1,168.4m, or 1.78%, in October 2014, taking total credit outstanding to N$66.8bn. On an annual basis PSCE growth accelerated by 0.1 percentage points, to 16.4%. A net total of N$9.42bn worth of credit has been extended over the last year, the highest level of net issuance seen over a 12 month period to date, as high growth continues to be seen off an ever increasing base. Of this N$9.42bn, approximately N$4.63bn was issued to businesses, while N$4.69bn was taken up by individuals.

Credit extension to households

Credit extension to households expanded by 1.1% on a monthly basis and 13.2% on an annual basis in October. 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.

Leasing transactions and other claims were once again the only sub categories in household credit that showed negative growth month on month. The largest growth was seen in other loans and advances which expanded by 3.54%, followed by mortgage loans which rose 1.03% month on month. Mortgage credit is still by far the biggest component of credit extended to households, contributing 66%. Mortgage credit continues to grow on the back of low interest rates and a strong local economy.

Instalment credit makes up the second largest component of credit extended to households (16.4%). Installment 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. However we do not see an interest rate hiking cycle being implemented as soon as we previously did amid prolonged weakness in South Africa, Europe, and slowing growth in China.

Credit extension to corporates

Credit extension to corporates grew by 21.37% year-on-year in October, up from 20.28% in September. On a monthly basis all the sub-categories grew except for other loans and advances which continues to fall. Leasing transactions grew by 12.2% but represents the smallest portion of the credit extended to corporations. Other claims grew by 10.85% for the month. Mortgage loans, the largest component of credit extended to corporations, grew by 2.56% for the month. Overall for the month credit extended to corporations rose 2.82%. The continued growth in PSCE is indicative of the strength of the Namibian economy even amid global divergence and South African weakness.

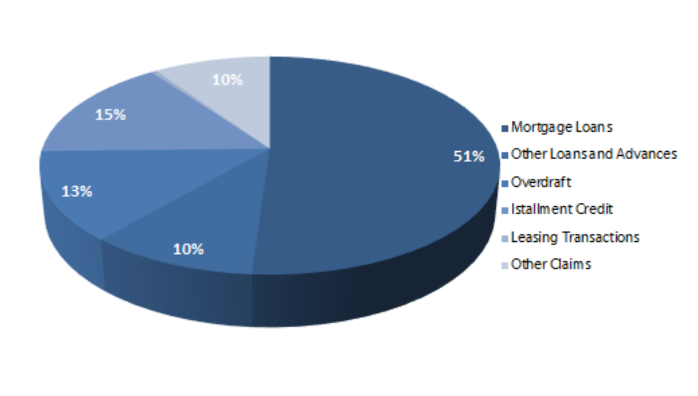
Money Supply and Reserves

Foreign reserves declined by 8.5% month on month to N$15.05bn in October after increasing by 19.7% month on month in September. For the year to date foreign reserves have declined 19.1% from N$18.61bn.

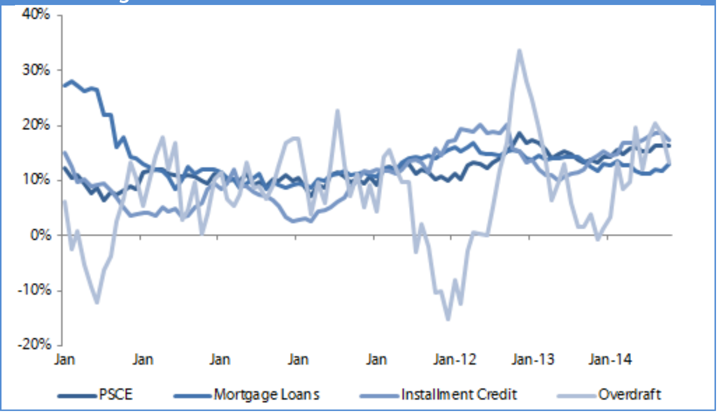
Annual M2 growth decreased to 5.0% in October, down from growth of 11.1% in September. Although growth in M2 slowed it can still be considered reasonable with only the transferable deposits component falling, although growing year on year from October 2013.

Looking forward we expect to see further strong credit growth. 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

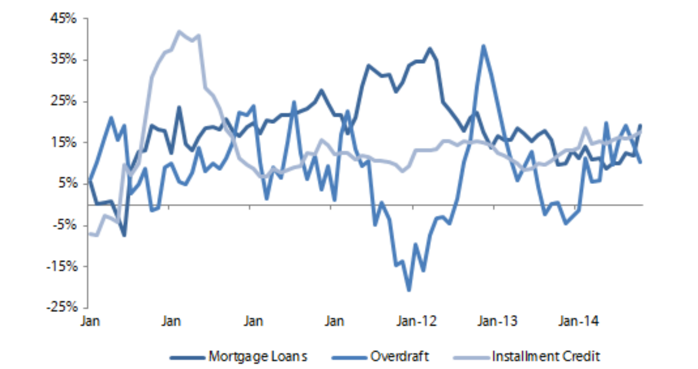


Credit Categories

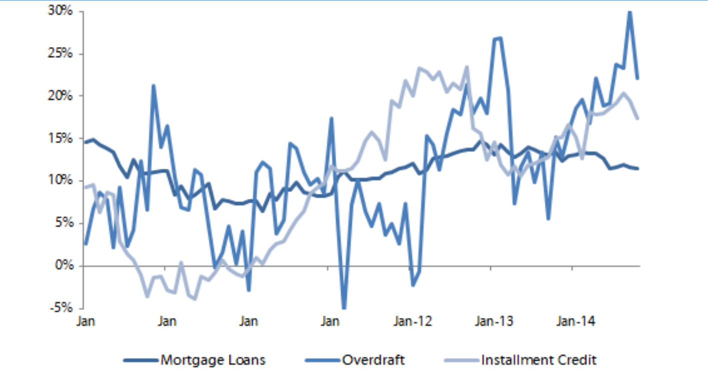


Source: Bank of Namibia

Businesses

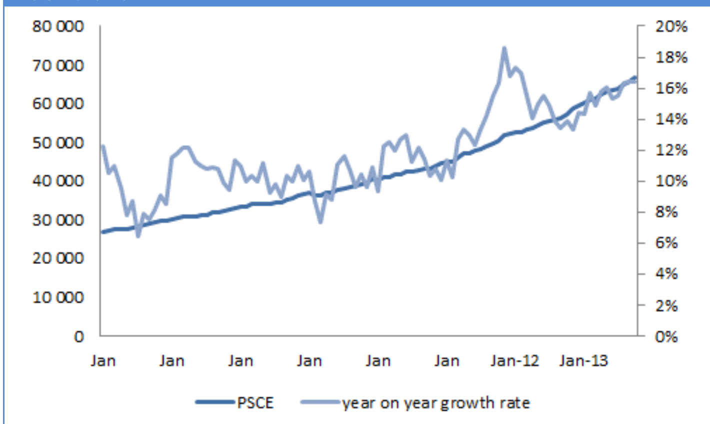


Individuals

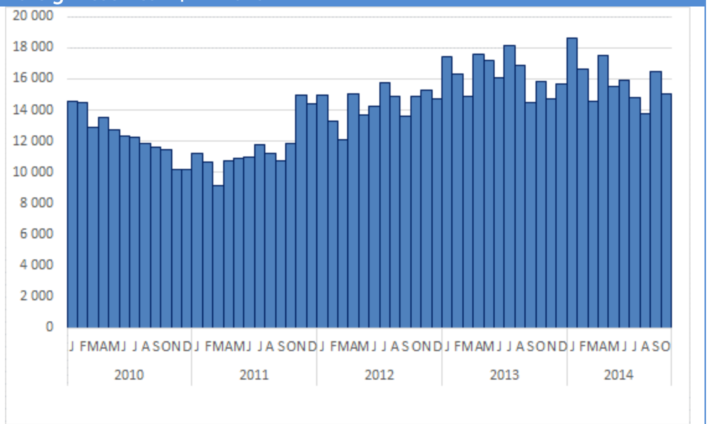


Source: Bank of Namibia

PSCE Growth

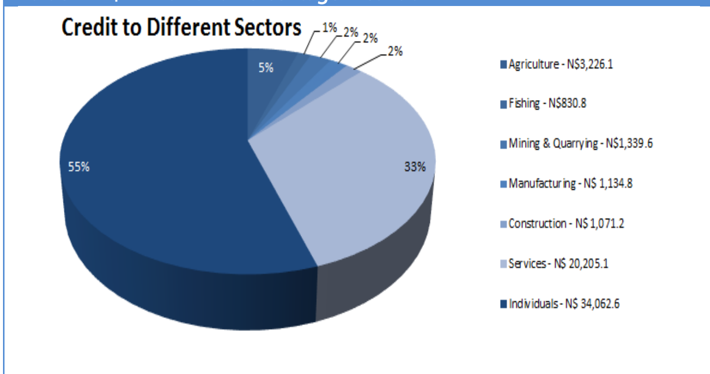


Foreign reserves N$ millions

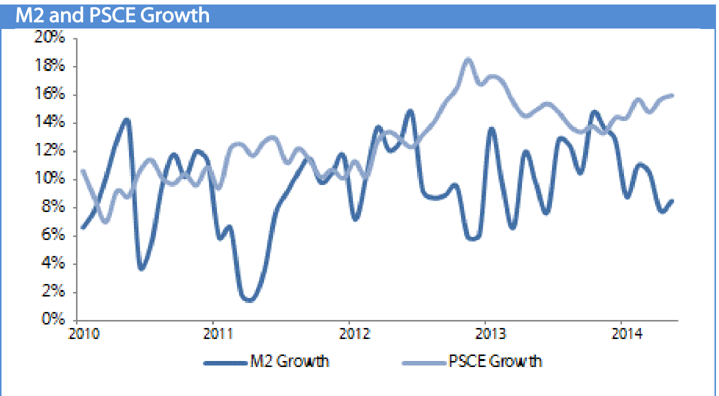


Source: Bank of Namibia

Value in N$ million and Percentage Breakdown



M2 and PSCE Growth



Source: Bank of Namibia

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