

PSCE–November 2014

29 December 2014

Net PSCE issuance peaks, Corporates expand most

	N\$ m	Change in N\$ m		% Change	
	Nov-14	One month	One year	Nov-14 m/m	Nov-14 y/y
Corporates	27 204.9	896.1	4 561.2	3.41%	20.14%
Individuals	40 769.1	611.9	4 777.7	1.52%	13.27%
Mortgage Loans	34 546.7	625.5	4 223.1	1.84%	13.93%
Other Loans & Advances	7 021.8	185.5	68.1	2.71%	0.98%
Overdraft	9 339.0	509.0	1 514.4	5.76%	19.35%
Instalment Credit	10 396.7	166.4	1 582.0	1.63%	17.95%
Total PSCE	68 302.9	1 513.3	9 420.4	2.27%	16.00%

Corporate versus individual growth (y/y)



Source: Bank of Namibia

Overall

Credit extended to the private sector increased by N\$1,513.3m, or 2.27%, in November 2014, taking total credit outstanding to N\$68.3bn. On an annual basis PSCE growth decelerated to 16.0%, a slight slowdown from October. 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, and the fourth such consecutive record, as high growth continues to be seen off an ever increasing base. Of this N\$9.42bn, approximately N\$4.56bn was issued to businesses, while N\$4.78bn was taken up by individuals.

Credit extension to households

Credit extension to households expanded by 1.52% on a monthly basis and 13.3% on an annual basis in November. 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. While interest rates have now started to increase, the transmission mechanism is relatively slow, particularly when interest rate increases are small, as have been the recent hikes.

Once again the largest percentage of the growth in credit extended to households was in the *other loans and advances* subcategory which expanded by 3.27%. Mortgage credit is still by far the biggest component of credit extended to households, contributing 39% to the total PSCE outstanding, and 65.5% of credit extended to households. Mortgage credit expanded 1.41% month-on-month and continues to grow on the back of low interest rates and a strong local economy, although year on year growth of 11.75% is below the average for the category.

Instalment credit makes up the second largest component of credit extended to households but is the fastest growing component with a year on year growth rate of 18.3% compared to the 13.27% growth seen in total credit extended to households. This points to a nation that is becoming more comfortable with the use of debt for private consumption. Instalment credit is often used to purchase consumer goods and could be seen as a non-productive utilization of credit, and much of this is spent on imported goods.

Credit extension to corporates

Credit extension to corporates grew by 20.14% year-on-year in November, down from 21.37% in October but still meaningfully higher than credit extended to households. Mortgage loans, the largest component of credit extended to corporations, grew by 3.35% for the month. Overdraft facilities, the second largest component, grew by 7.81% and now amounts to more than 25% of the total credit extended to corporations. Overall for the month credit extended to corporations rose 3.41%. The continued growth in PSCE is indicative of the strength of the Namibian economy even amid global divergence and despite South African economic weakness.

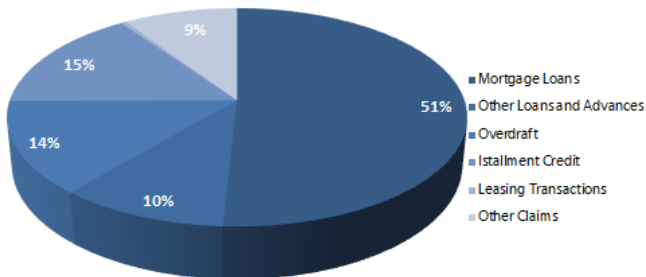
Money Supply and Reserves

Foreign reserves declined by 8.6% month on month to N\$13.75bn in November after decreasing by 8.5% month on month in October. For the year to date foreign reserves have declined 26.1% from N\$18.61bn.

Annual M2 growth increased to 9.8% in November, up from growth of 5.0% in October. Total broad money supply currently stands at N\$76.16bn.

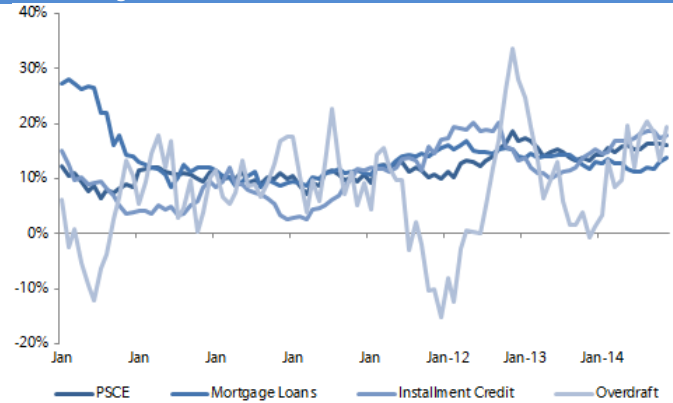
Looking forward we expect to see further strong credit growth. Real income growth is expected to remain elevated given the expansive economic conditions that are still prevalent within Namibia which will continue to reinforce demand for credit as Namibian's leverage off increased income.

Credit Split

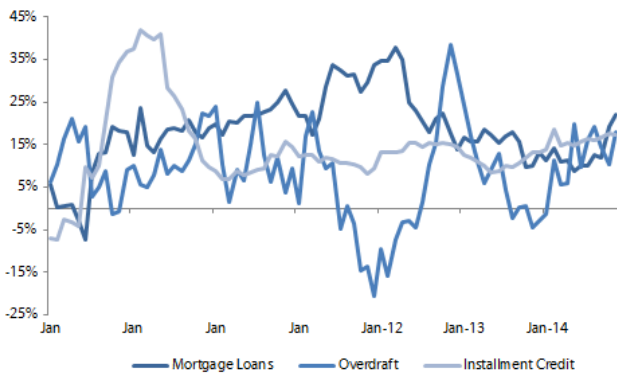


Source: Bank of Namibia

Credit Categories

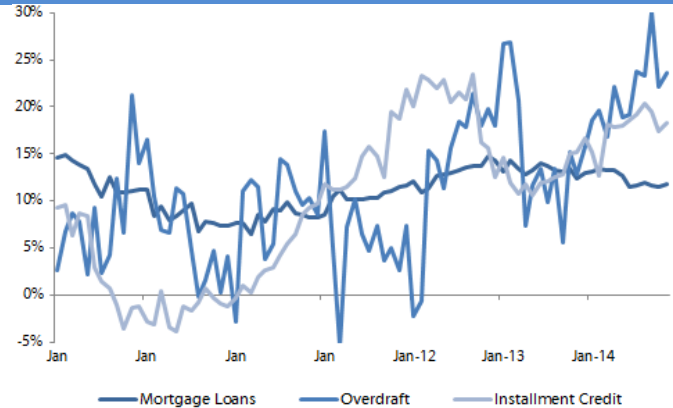


Businesses

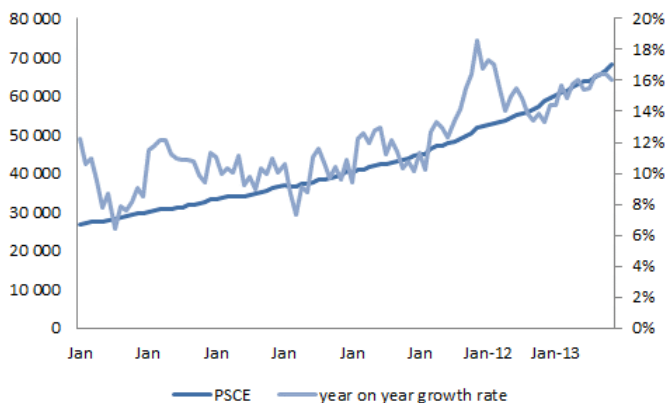


Source: Bank of Namibia

Individuals

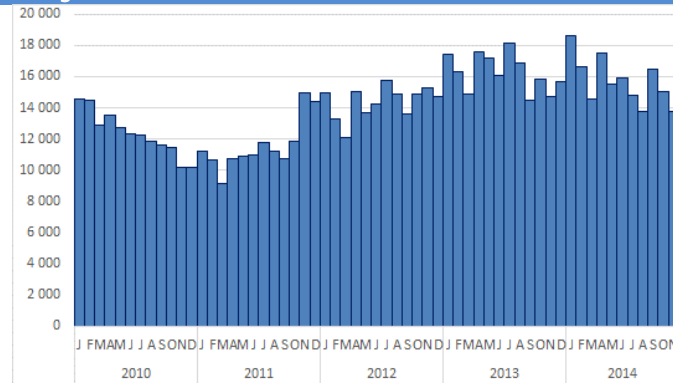


PSCE Growth



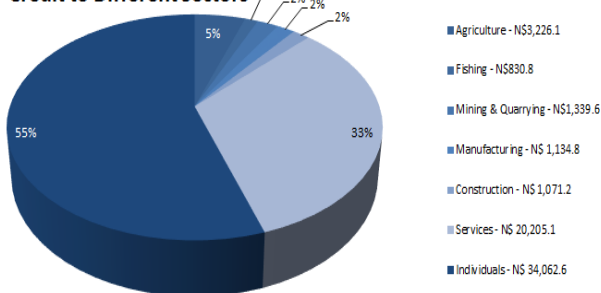
Source: Bank of Namibia

Foreign reserves NS\$ millions

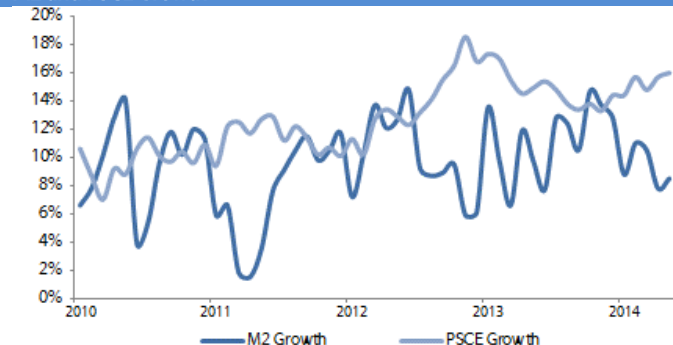


Value in N\$ million and Percentage Breakdown

Credit to Different Sectors



M2 and PSCE Growth



Source: Bank of Namibia



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