

PSCE – February 2015

Eric van Zyl - 24 April 2015

PSCE expanding off an elevated base

	N\$ m	Change in N\$ m		% Change	
	Feb-15	One month	One year	Feb-15 m/m	Feb-15 y/y
Corporates	28 959.3	783.1	5 990.6	2.78%	22.99%
Individuals	41 705.2	330.5	4 753.7	0.80%	12.07%
Mortgage Loans	35 394.3	324.5	4 487.8	0.93%	12.41%
Other Loans & Advances	7 662.7	216.0	667.5	2.90%	14.07%
Overdraft	9 828.3	220.5	1 767.2	2.30%	17.79%
Instalment Credit	10 858.4	272.6	1 823.5	2.57%	18.90%
Total PSCE	71 028.3	1 135.8	10 849.1	1.63%	16.38%



Source: Bank of Namibia

Overall

Total credit extended to the private sector increased by N\$1.1bn, or 1.63%, in February 2015, taking total credit outstanding to N\$71bn. On an annual basis PSCE growth accelerated slightly to 16.4%, from the 16.1% in January, an elevated rate of extension off an ever increasing base. A net total of N\$10.8bn worth of credit has been extended over the last 12 months. Of this N\$10.8bn, approximately N\$6bn was issued to businesses, while N\$4.8bn was taken up by individuals.

Credit extension to households

Credit extension to households expanded by 0.8% on a monthly basis and 12.07% on an annual basis in February, thus reverting to growth after January's slight contraction. If the interest rate hike had any effect on credit extension we may see it in the March figures. It is also worth remembering that the transmission mechanism between rate hikes and PSCE contractions is relatively slow, particularly when interest rate increases are small.

Household mortgage loans expanded by 0.86% month on month while overdrafts dragged, contracting by 0.69%. Loans and advances expanded by 1.47% on a monthly basis, while leasing transactions expanded by 9.65%, and instalment credit expanded by 0.97%. While mortgage loans continue to make up the majority of credit extended to households it continues to register slower growth than the second largest component, instalment credit.

Installment credit is the fastest growing component of credit extended to households with a 12 month average year on year growth rate of over 18%. This points to a nation that is becoming more comfortable with the use of debt for private consumption. While mortgage loans are used to purchase assets installment credit is often used to purchase consumer goods and could be seen as a non-productive utilization of credit. Much of this is spent on imported goods which puts pressure on the country's reserve position.

Credit extension to corporates

Credit extension to corporates grew by 2.78% on a month on month basis and 23% year-on-year in February, meaning fully higher than the growth of credit extended to households once again. This was largely driven by extension in overdraft facilities which grew by 3.38% m/m and makes up 25% of credit extended to corporates. Loans and advances grew by 4% m/m while instalment credit grew by 5.5% m/m, together making up 28.6% of credit extended to corporates. On a month on month basis mortgage loan growth lagged behind the other categories somewhat, growing by 1.13%. The rapid uptake of credit by businesses can, at least partly, be attributed to the rapid expansion of the local economy as well as the potential yet to be unlocked.

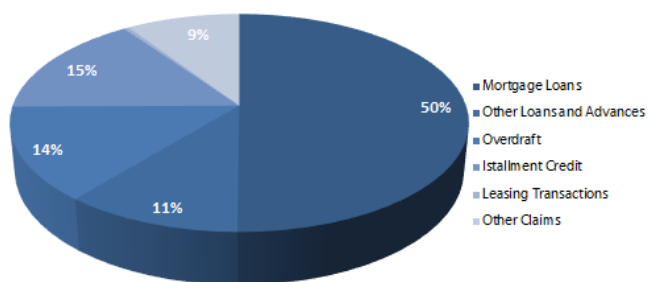
Reserves and money supply

Foreign reserves decreased by 9.35% m/m in February, from N\$16.5bn to N\$14.9bn, and declined 10.3% y/y. While a seasonal decrease is generally recorded in February and the current level is not overly concerning it is a factor to be watched especially with the currency weakening against the dollar. It should also be noted that the Rand and hence the Namibian Dollar has been appreciating versus the Euro and many other emerging market currencies over the last year or so. The M2 money supply saw an increase of 3% from January largely due to transferable deposits increasing by 4.6%.

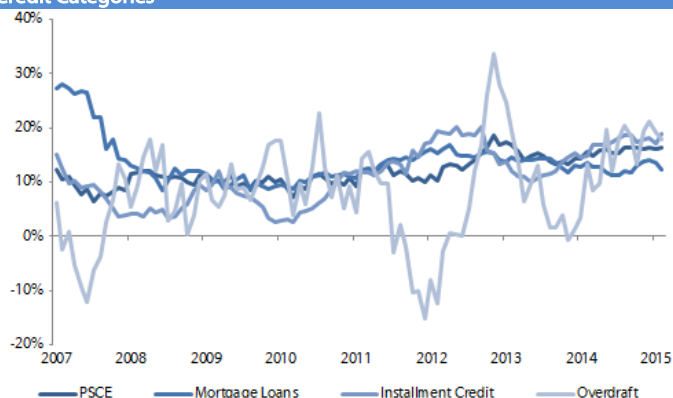
Outlook

Due to strong wealth effects as a result of prolonged and abnormally high growth, we believe that demand for credit will remain high, while real income growth will allow suppliers of debt to continue to lend with a fair level of confidence. Additionally, the lagged effects of increasing interest rates mean that it is unlikely that we will see a major impact on credit demand by households for a period of 6 to 18 months after rate hikes start, provided that the magnitude of the hiking cycle is sufficient to cause an impact.

Credit Split

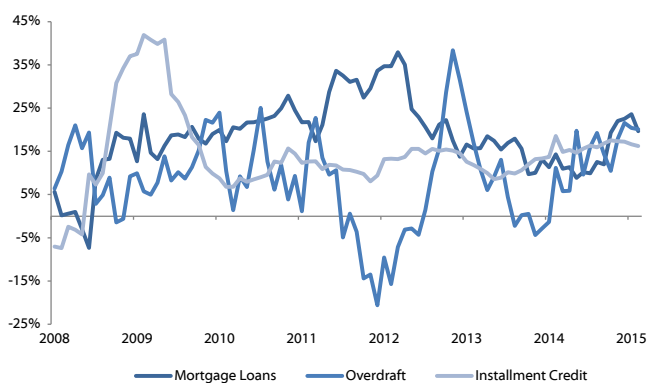


Credit Categories



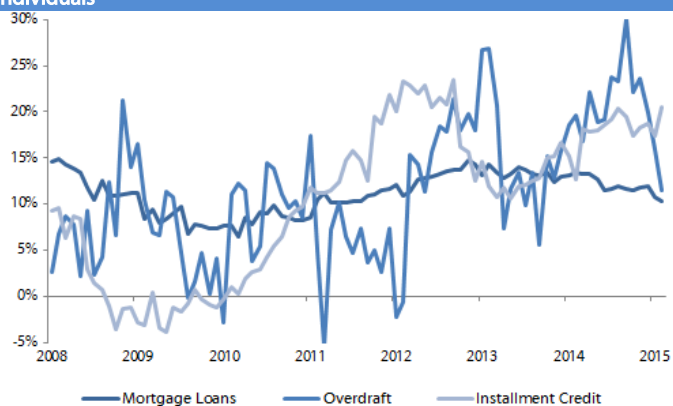
Source: Bank of Namibia

Businesses

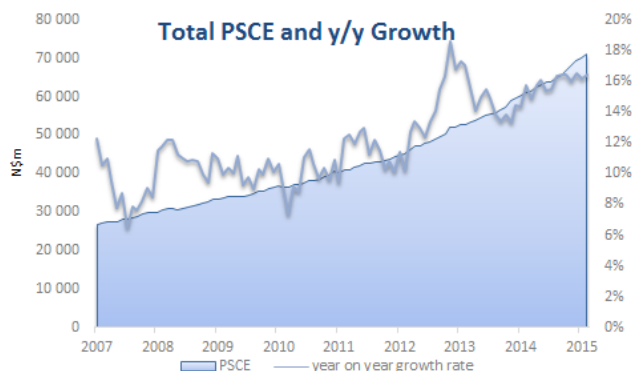


Source: Bank of Namibia

Individuals

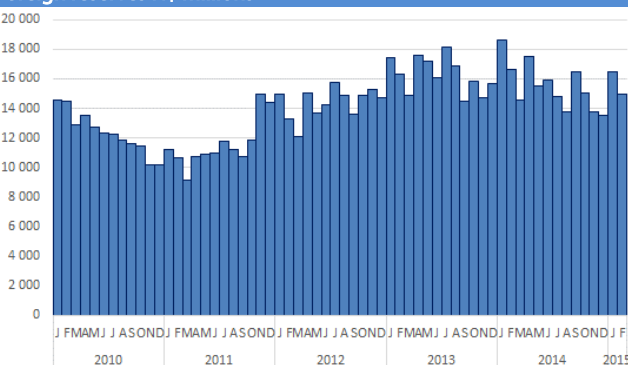


PSCE Growth



Source: Bank of Namibia

Foreign reserves N\$ millions



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