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Private Sector Credit Extension - June

July 2019

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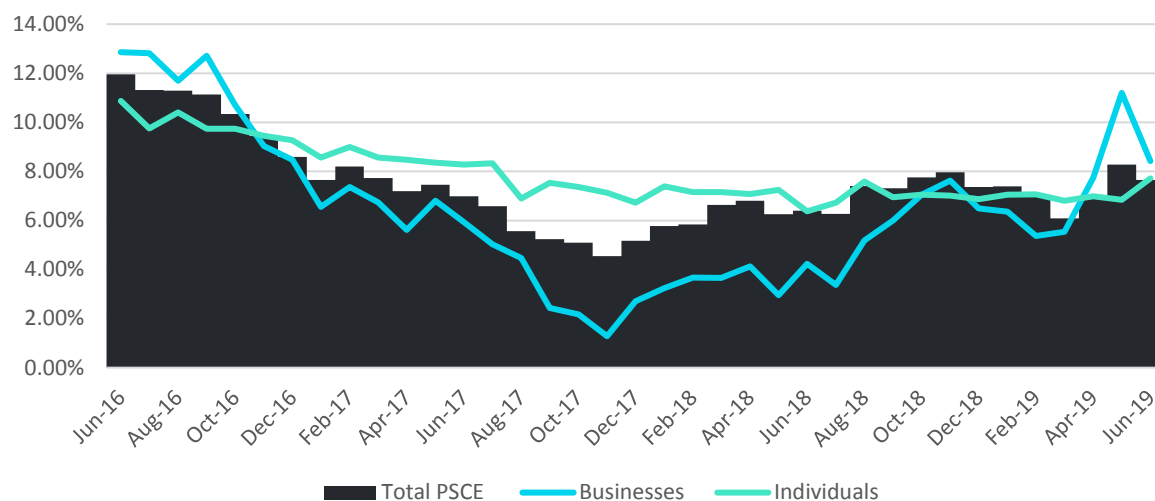
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Private Sector Credit Extension – June 2019

Credit extended to the private sector came in at N\$100.2 billion, with growth decelerating to 7.7% year-on-year (y/y) and a slight contraction from the prior month's print of N\$100.5 billion. The reduction was in large part due to a contraction on the credit stock of other non-financial corporations.

Figure 1 Private Sector Credit Extension Growth (y/y)



Source: Bank of Namibia, Cirrus Securities

Individuals

Credit growth amongst households accelerated from 6.8% to 7.7%, bringing total credit extended to households to N\$58.8 billion. This increase came about largely due to a 7.6% increase in mortgage loans for dwellings. Instalment credit, which contributes 11% to household credit extension, contracted by 4% to N\$6.6 billion. This continues the decline in instalment credit seen throughout the year as we are seeing less uptake of this form of debt and individuals rather opting to pay it off.

Businesses

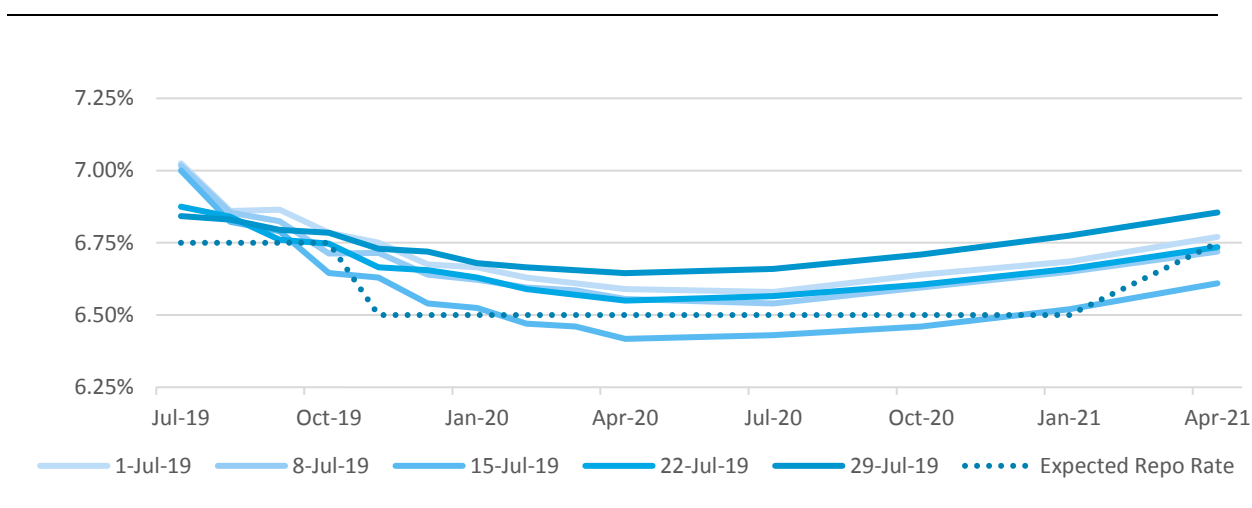
Credit extended to businesses grew by 8.42% y/y, decelerating from May's print of 11.2%. The total amount extended to businesses stood at N\$40.4 billion, a slight contraction of 1.4% from May's N\$41.0 billion. The primary contributor to this month-on-month contraction was N\$396 million decrease in overdraft credit. As was the case with individuals, instalment credit also experienced net repayments albeit slight at 0.4%.

Interest Rates

Following the South African Reserve Bank's July repo rate cut announcement of 25 basis points, expectations are that the Bank of Namibia will follow suit. This follows sluggish growth on both sides of the border while inflation remains well within the target band. Although this cut might bring about some relief for heavily indebted households, it is unlikely to spur any largescale uptake in debt. A cut in Namibia will also lead to lower bank profits, at a time when these are already falling albeit off a high base. As things stand, the market is pricing in a further 25bps cut towards the end of the year, should there be no significant improvements in macroeconomic conditions or significant depreciation of the rand.



Figure 2 Forward Rate Agreement Curve

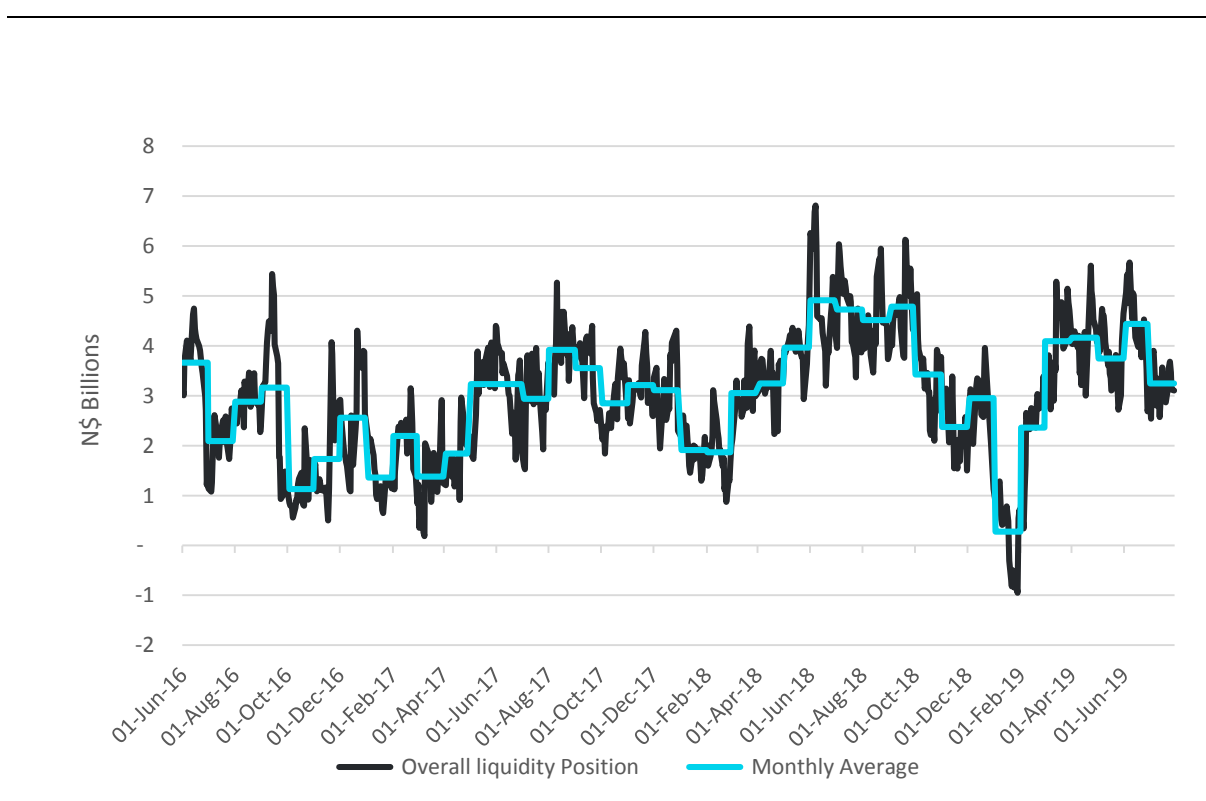


Source: Bank of Namibia, Cirrus Securities

Liquidity

The month of June saw Banking Sector Liquidity swing up again from an average position of N\$3.74 billion in May to N\$4.5 billion. This uptick was largely attributable to a liquidation of funds due to corporates preparing for corporate tax payments during the month of June.

Figure 3 Banking Sector Liquidity



Source: Bank of Namibia, Cirrus Securities





CIRRUS SECURITIES

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