01 October 2019

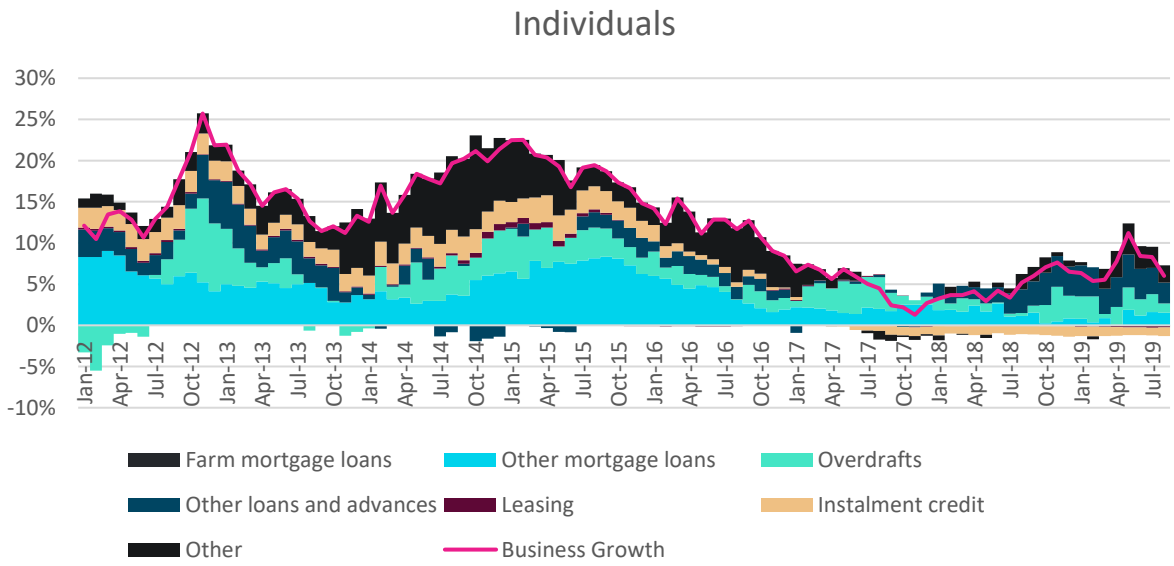
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Private Sector Credit Extension

	N$ Million	Change in N$ Million		% Change	
	Outstanding	MoM	YoY	MoM	YoY
Individuals	**59 437.2**	**297.0**	**3 733.8**	**0.5**	**6.7**
- Mortgage Loans	40 501.6	277.7	2581.0	0.7	6.8
- Other Advances & Loans	7 476.7	115.5	1 330.4	1.6	21.6
- Overdraft	3 351.3	24.2	277.3	0.7	9.0
- Installment Credit	6491.7	-93.5	-370.2	-1.4	-5.4
Businesses	**40 262.2**	**97.1**	**2283.4**	**0.2**	**6.0**
Total PSCE	**100 752.8**	**429.3**	**5 805.3**	**0.4**	**6.1**

Credit extended to the private sector continued to slow into August with YoY growth of 6.1%, 1.3 percentage points lower than the comparable period in 2018 and 1.1 percentage points lower than growth experienced in July 2019. This resulted in MoM and YoY extensions of N$429.3 million and N$5.8 billion, respectively, into August 2019 to an outstanding amount of N$100.8 billion. Both extensions to individuals and businesses experienced a slowdown, dropping to 6.7% and 6.0% respectively, however businesses saw more significant drops in extension growth dropping 2.3 percentage points over the month and 2.4 percentage points as compared to the period the prior year.

Individuals



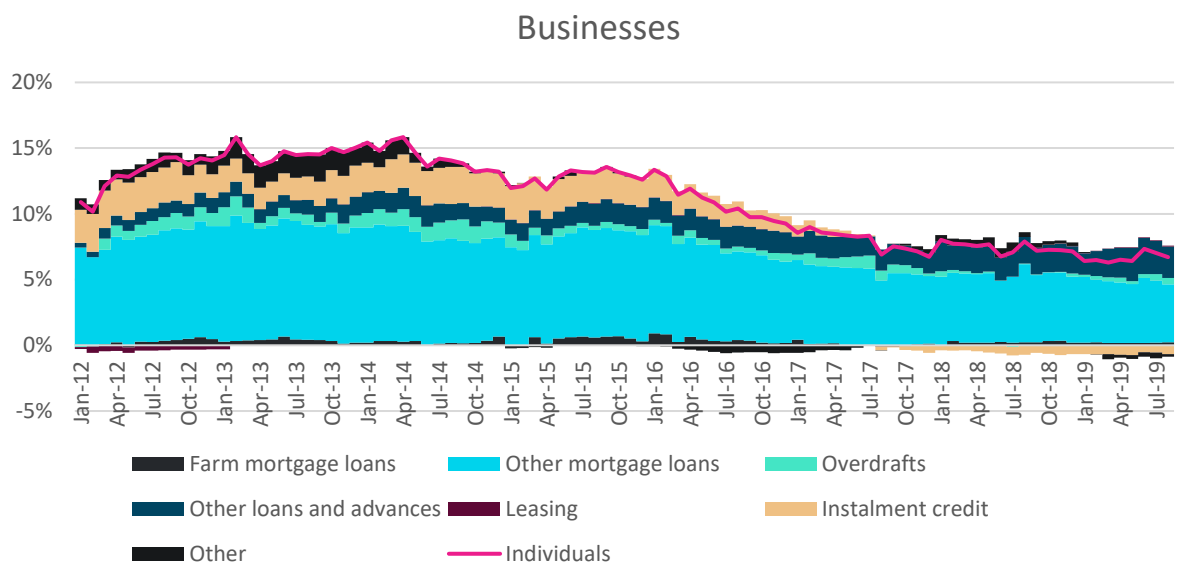
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Credit extended to individuals grew by 6.7%, or N$3.7 billion, annually a slight reduction of 0.3 percentage points as compared to the previous month. This resulted in an outstanding amount of N$59.4 billion extended to individuals. The majority of this growth, approximately 4.6 percentage points, was attributable to mortgage loan advances to individuals which grew by 7% annually. A further 2.4 percentage points was attributable to other loans and advances which experienced growth of 22% over the period totalling N$7.5 billion in August 2019. This increase, as continued growth in excess of 20% since Feb 2019, suggests that there has been continued reliance in the usage sort term debt facilities.

Instalment credit continued to be a drag on growth with attributable contributions of -0.7 percentage points, growing at -5.4% and amounting to N$6.5 billon in August 2019. This has been the norm since August 2017 and, with continued weak vehicle sales, it is forecasted to persist.

A final noteworthy uptick in extension growth was the increased use in overdraft facilities which contributed 0.5 percentage points to total extension growth to individuals. This line item experienced growth of 9.0%, the highest in 22 months, and as tough continued economic times persist, we may see more household reliance on this facility in coming months.

Businesses



Credit extended to businesses saw less resilient growth as compared to individuals, with large growth reductions of a 2.3 and 2.4 percentage points on a monthly and annual basis, respectively, and amounting to total growth of 6.0%. This resulted in outstanding extensions of N$40.3 billion, an annual increase of N$2.3 billion.

Loans and advances growth continued to slow dropping by 2.5 percentage points since July and 2.5 percentage points annually. The majority of the reduction was the slowed use of overdraft facilities which contributed 1.1 percentage points to total business extensions, as

compared to 2.2 percentage points in July 2019. Annual growth in overdrafts amounted to 4.9% and was the lowest experienced growth in the past 11 months. Moreover, instalment credit growth continued to deteriorate posting negative growth of 8.5% as businesses too opt to save costs and not purchase new vehicles.

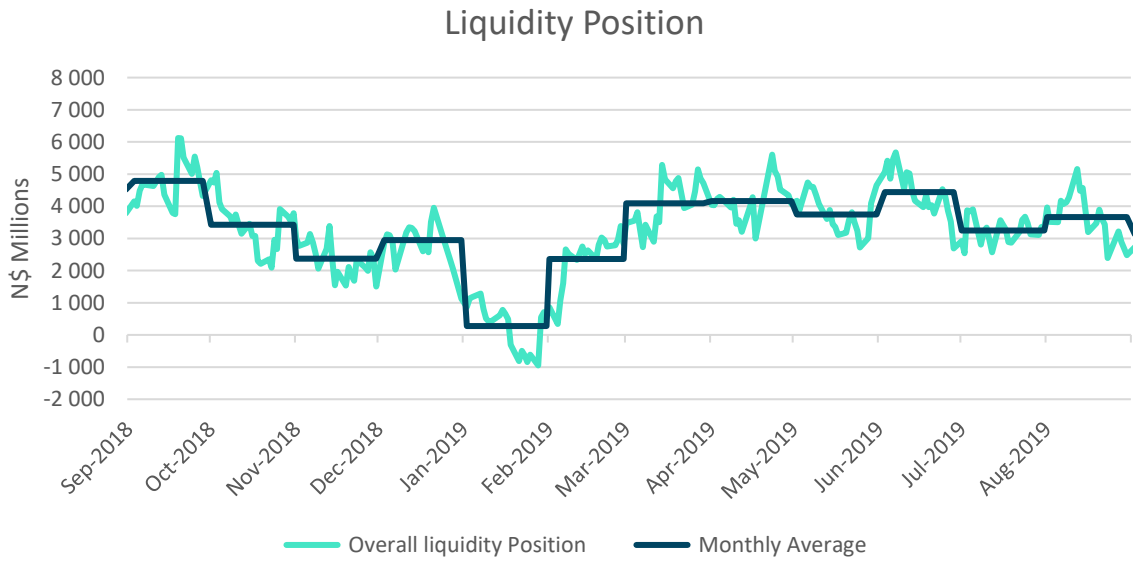
Interest Rates

Several advanced economies' central banks met in the third week of September to discuss their monetary policy and whether they would amend their policy rates, namely the Federal Reserve (FED), the Bank of Japan (BoJ) and the Bank of England (BoE).

Unsurprisingly, the Federal Reserve cut its policy rate band by 25 bps, moving its range down to 1.75-2.00%. The meeting did, however, highlight differences within the committee on whether future cuts are to be expected and the overall committee adopting a more neutral tone. The BoJ and BoE decided to maintain their rates, while hikes in these markets are not anticipated in the foreseeable future.

Finally, on 19 September 2019, the South African Reserve Bank decided to keep its repo rate at 6.50% citing financial stability and currency pressures. The former arose from the expected Moody's credit rating and the South African government's ability to contain its deficit. Regarding the latter, depreciation of the rand and the oil price spike may lead to some inflationary pressures. The SARB appears to be taking a 'wait-and- see' approach before another cut, however the market is anticipating one more cut before the end of the year.

Liquidity

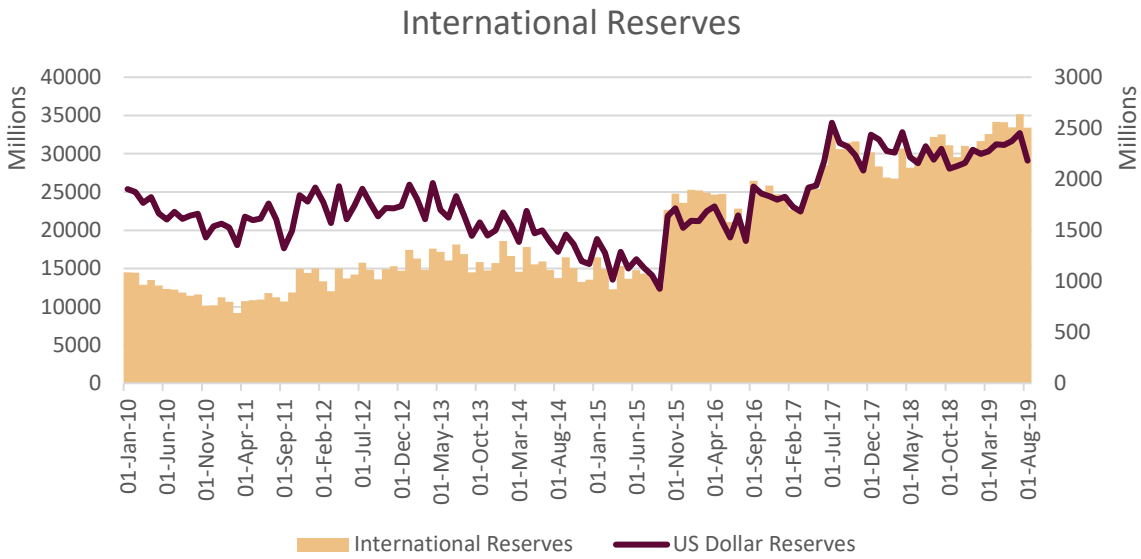


August saw liquidity improve as compared to July, with liquidity averaging N$3.7 billion over the month, as compared to N$3.3 billion over the previous month. The increase in the overall

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liquidity balances was partly as a result of increased mineral sale proceeds during the period under review.

International Reserves



Foreign reserves dropped by N$1.8 billion, or -5%, over the month – amounting to N$33.4 billion in August 2019. Moreover, this amounted to a decrease of U$271 million, -11.0%, of foreign reserves in hard currency terms over the month. BoN attributed the decrease to government payments as well as commercial bank foreign currency payments for imports.

Expectations

With the more neutral behaviour throughout global monetary authorities, coupled with a rate cut anticipated in South Africa by the end of the year, there will be some relief to existing consumers in the forthcoming months. Moreover, inflationary pressures have subsided with downward price adjustments for oil anticipated shortly.

However, with YTD vehicle sales currently at their lowest levels in a decade, household debt to disposable income sitting at around 96%, a further anticipated economic contraction (possibly the deepest in the country's independent history), persistent high unemployment rates and real wage rate rigidity, it is unlikely that PSCE growth will return to strong figures in the foreseeable future.