Private Sector Credit Extension

	N$ Million	Change in N$ Million		% Change	
	Outstanding	MoM	YoY	MoM	YoY
Individuals	**59,140.2**	**309.2**	**3,877.6**	**0.5**	**7.0**
- Mortgage Loans	40,223.9	291.0	2,721.4	0.7	7.3
- Other Advances & Loans	7,361.2	40.9	1,404.6	0.6	23.6
- Overdraft	3,327.1	31.7	265.6	1.0	8.7
- Installment Credit	6,585.3	-22.3	-309.1	-0.3	-4.5
Businesses	**40,165.1**	**-224.2**	**3,072.4**	**-0.6**	**8.3**
Total PSCE	**100,323.5**	**86.3**	**6,739.3**	**0.1**	**7.2**

Credit extended to the private sector continued to slow on a year-on-year (YoY) basis, growing 7.2% for the month of July. This amounted to increased MoM and YoY extensions of N$86.3 million and N$6.7 billion, respectively, coming to an outstanding amount of N$100.3 billion. BoN attributed the slowdown in growth to a decline in demand for credit by both the household and business sectors which is evident by the contraction of individual instalment credit and other claims of -4.5% and -12.5%, respectively. Business instalment credit and Leasing transactions followed the same trend with decreases of -7.8% and -36.5%, respectively.

Individuals

Credit to individuals grew by 7.0% YoY, or N$3.9 billion, to an amount of N$59.1 billion. This is a slight reduction in growth experienced compared to the month of June, however it is an improvement relative to the month of May which saw growth of 6.4%. Instalment credit, which represents 11% of total extensions to the private sector, continues to fall with negative growth of 4.5% indicating consumers are preferring to repay their instalment obligations.

The overall increase as compared to May is due to mortgage loan growth and the increase in overdrafts which saw its largest YoY growth since October 2017. Overdrafts to individuals increased to N$3.3 billion which amounted to YoY growth of 8.7%.

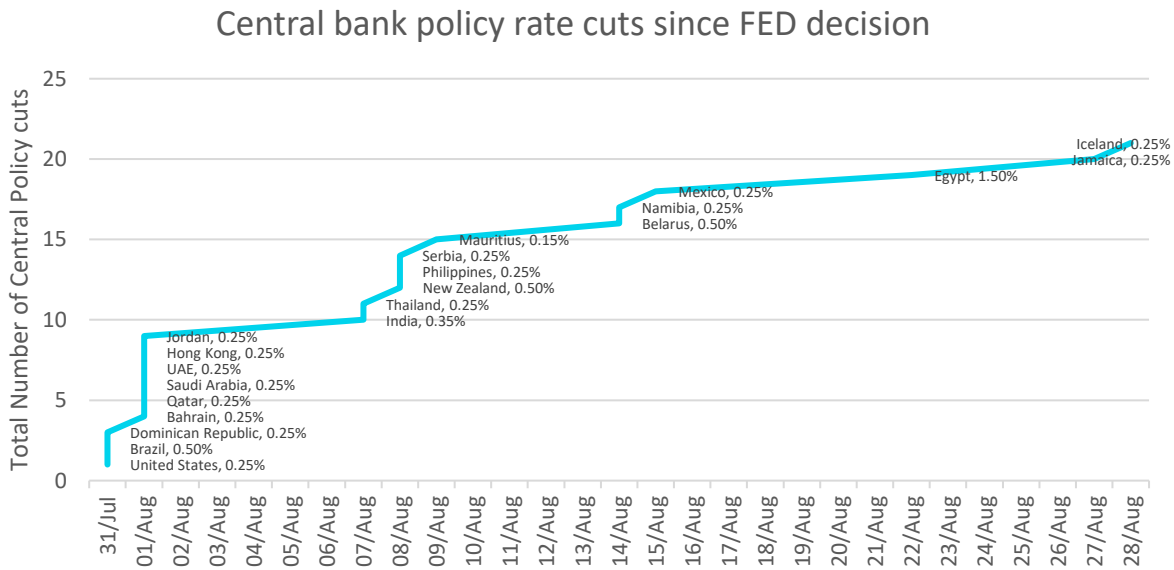
Businesses

Credit extended to businesses continued to decelerate in the month of July growing by 8.3% YoY, or N$3.1 billion, to an amount of N$40.2 billion. As is the case with individuals, instalment credit continued to contract by 7.8% as net repayments continue for the line item. Loans and advances to business grew by 10.1%, a slight improvement from June, on the back of increased usage of overdraft facilities – with overdrafts increasing by 9.3%.

Interest Rates

In an unsurprising move, the Bank of Namibia mimicked the South African Reserve banks (SARB) policy adjustment and cut its repo rate by 25 bps, once again bringing the Namibian policy rate in line with South Africa's at 6.50%. The rationale provided by BoN for the cut was to support domestic economic activity – currently BoN estimates economic growth at -1.7% for 2019 – and to maintain the one-to-one currency peg.

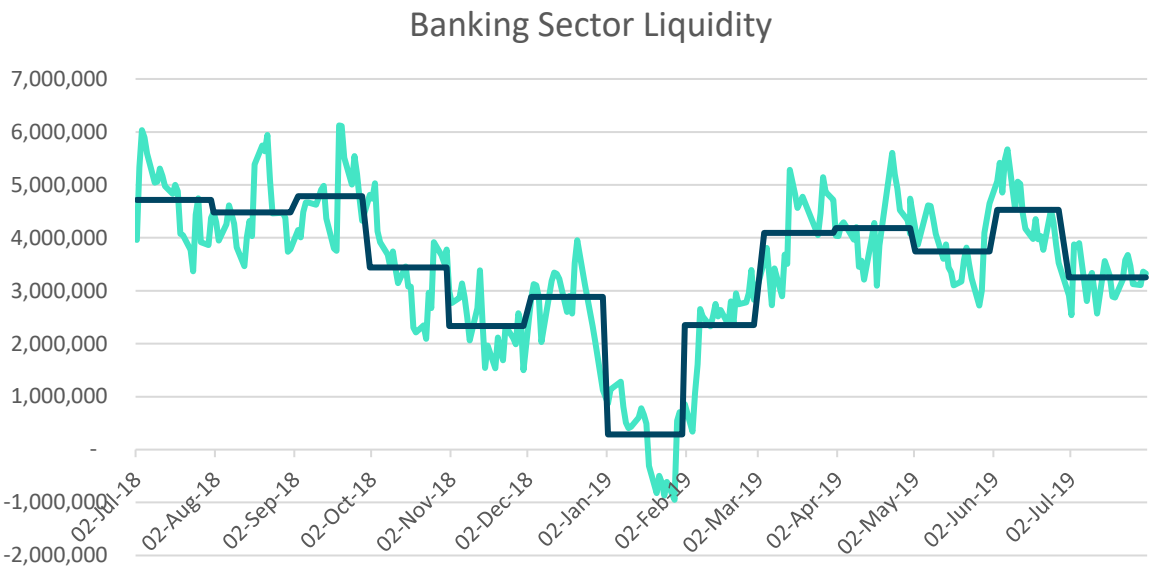
All these amendments follow a recent trend observable across central banks worldwide. Following the decision of the Federal Reserve to cut its policy rate by 25 bps on 31 July 2019, more than 20 central banks cut their rates, some to historic lows (Australia), citing a multitude of factors.



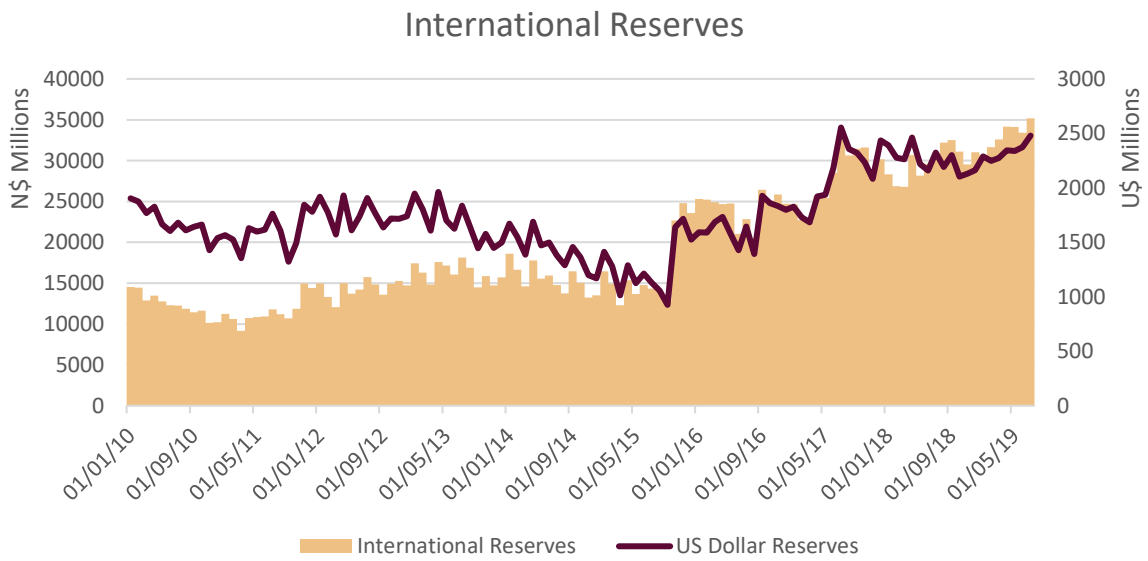
Moreover, it took a further step in order support economic activity by amending the Loan-to-Value (LTV) ratios, which will come into effect once they are gazetted by the Minister of Finance. First-time home buyers will still not need to put down a deposit but for the first non-primary residence, the maximum LTV has been changed from 80% to 90% (i.e. buyers will now qualify for a loan of 90% of the value, requiring only a 10% deposit). For all subsequent residences, the maximum LTV has been set to 80% (i.e. requiring only a 20% deposit).

Liquidity

The month of July saw liquidity worsen as compared to June. July saw liquidity average at N$3.3 billion, which was N$1.3 billion lower than the amount in June. BoN attributed the decrease in liquidity balances mainly to outflows and payments of corporate taxes during the period under review.



International Reserves



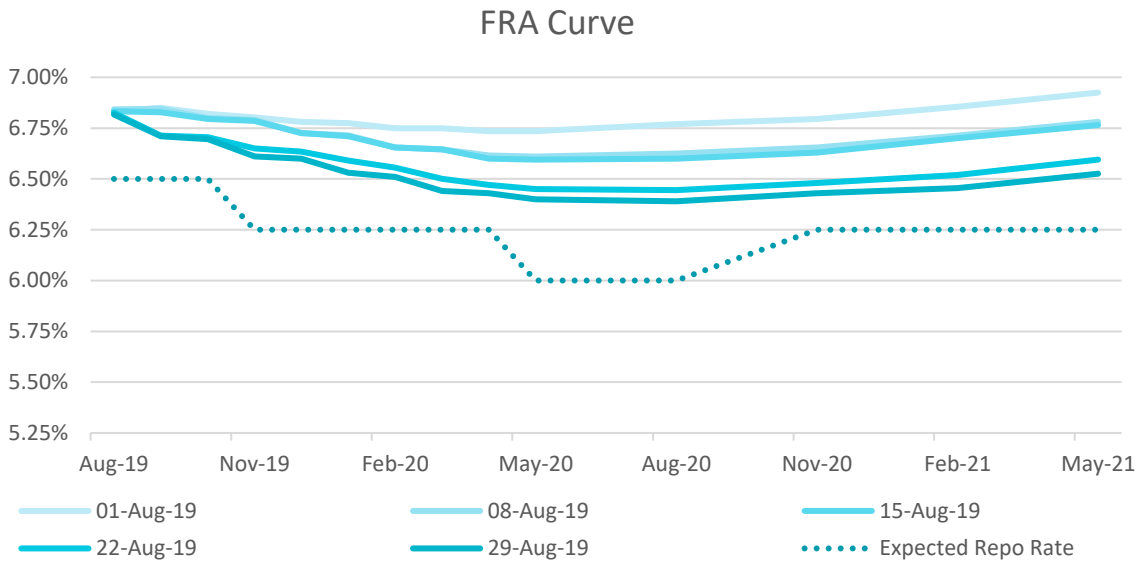
Foreign reserves rose N$1.75 billion, or 5%, from N$33.4 billion to N$35.2 billion in the month of July. Moreover, the improvement in reserves is observable in USD dollar terms with the outstanding amount in July amounting to U$2.5 billion – moving into a period of rand deprecation against the USD. The overall improvement in reserves is largely due to payment received by the Customs Union during the month of July.

CIRRUS SECURITIES

Expectations

Instalment credit will continue to follow the ongoing tendency if current car purchase trends prevail. As year-to-date sales for vehicles is the lowest experienced in the last 10 years, currently totalling to 6205 units, it is evident that consumers are not purchasing vehicles at previously experienced levels.

With the current slowdown in global activity, it is natural that central banks have displayed dovish behaviour. Moving forward, it expected that more South African repo rate cuts are to follow, with the market pricing in another 25bps cut towards the end of the year, bringing some relief to consumers and businesses alike.



LTV adjustments should stimulate the housing market by increasing demand, as more creditworthy clients no longer need to fork out as large a deposit as previously required. This will not only bolster the housing market but should naturally increase mortgage loans extended providing some relief to the housing and banking sectors.

Although changes in both the LTV ratios and the Repo Rate should provide some relief for heavily indebted consumers, the housing and banking sectors, it is unlikely that a surge in extensions will follow. With dampened economic expectations, difficult times will likely persist.