

06 January 2020

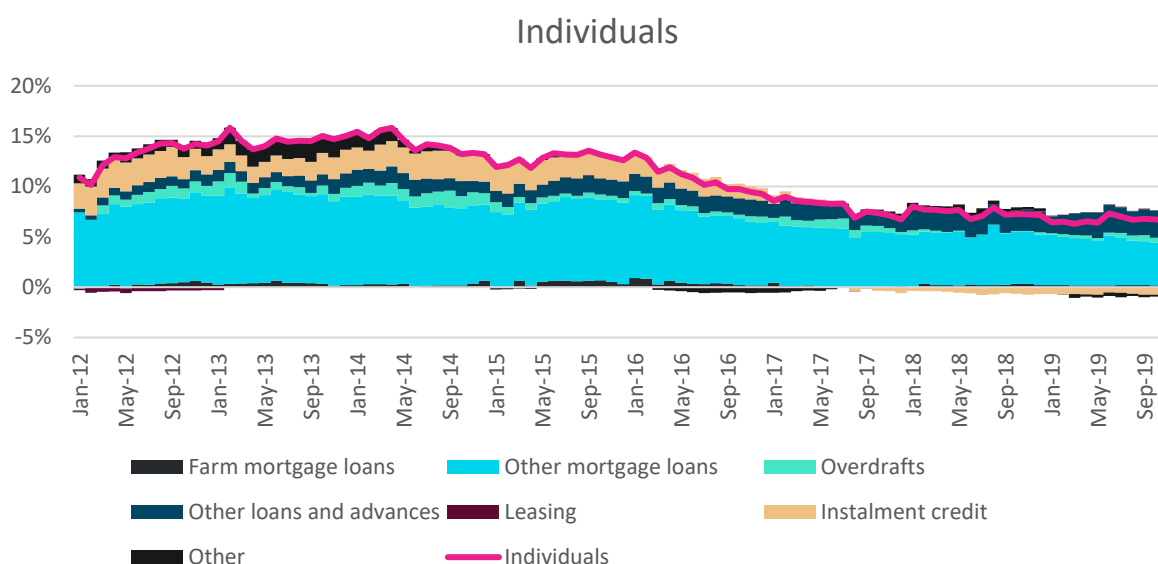
CIRRUS
SECURITIES

Private Sector Credit Extension

	N\$ Million Outstanding	Change in N\$ Million		% Change	
		MoM	YoY	MoM	YoY
Individuals	60 567.3	434.6	3 734.1	0.7	6.6
- Mortgage Loans	41 002.5	86.6	2 209.5	0.2	5.7
- Other Advances & Loans	8 137.2	336.3	1 743.9	4.3	27.3
- Overdraft	3 382.9	39.8	292.6	1.2	9.5
- Installment Credit	6 412.7	-28.0	-394.4	-0.4	-5.8
Businesses	40 959.5	184.9	2 198.2	0.5	5.7
Total PSCE	102 494.1	586.7	5 727.3	0.6	5.9

Growth in credit extended to the private sector slowed for the third consecutive month in November 2019 with YoY growth of 5.9%, 0.2 percentage points lower than was experienced in the month prior and 2.1 percentage points lower than growth experienced in the comparable period in 2018. This resulted in MoM and YoY extensions of N\$586.7 million and N\$5.7 billion, respectively, into November 2019 to an outstanding amount of N\$102.5 billion. Both extension growth to individuals and businesses slowed in the month November moving down to 6.6% and 5.7%, respectively, as extension to individuals and business moved down 16 and 28 basis points over the month, respectively.

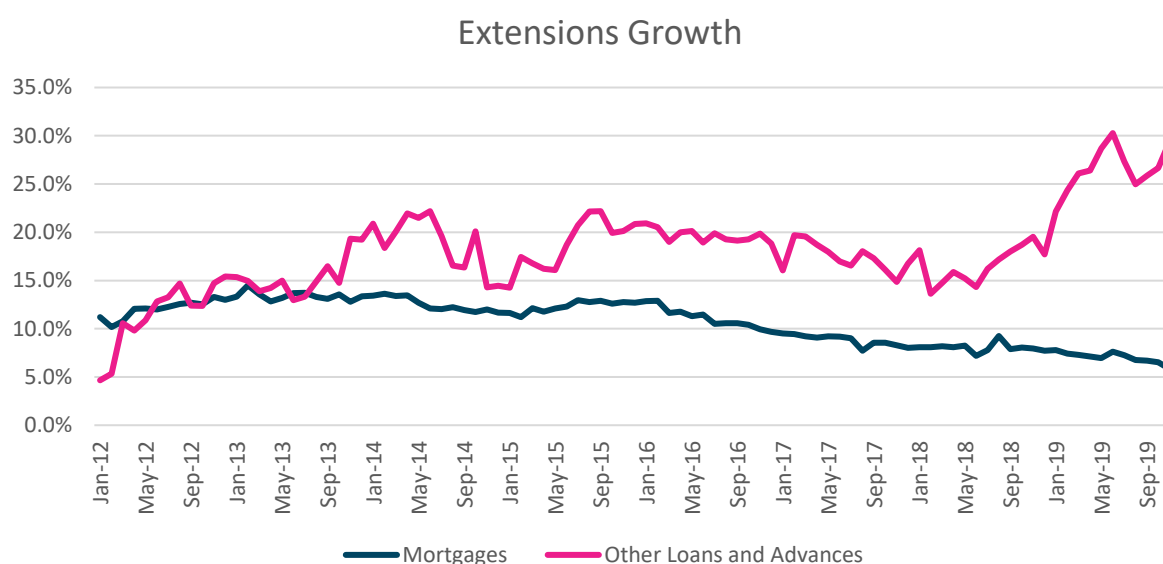
Individuals



Credit extended to individuals grew by 6.6% annually, or N\$3.7 billion, a slight decrease of 0.1 percentage points as compared to the previous month. Credit extension to individuals experienced MoM growth of 0.7% resulting in an outstanding amount of N\$60.6 billion in credit to individuals.

Mortgage extension growth continues to post some of its lowest observable levels since 2006, the extent of our available time series, dropping 0.8 percentage points over the month to growth of 5.7% in November.

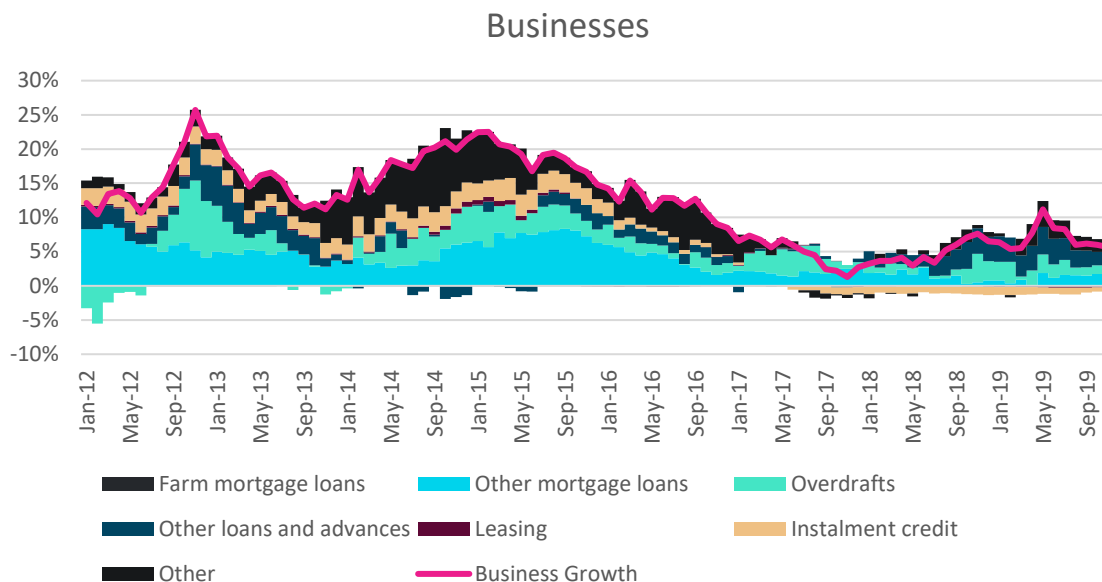
Other loans and advances continued to grow in excess of 20%, annually, accelerating 3.1 percentage points over the month to 27.3%. This line item represents personal/commercial loans and credit cards thereby indicating that households continue to face difficult times therefore our expectation is that this line continues to show strong growth into December and January. This expected increase is due to festive season as consumers are expected to exercise these facilities further during this period.



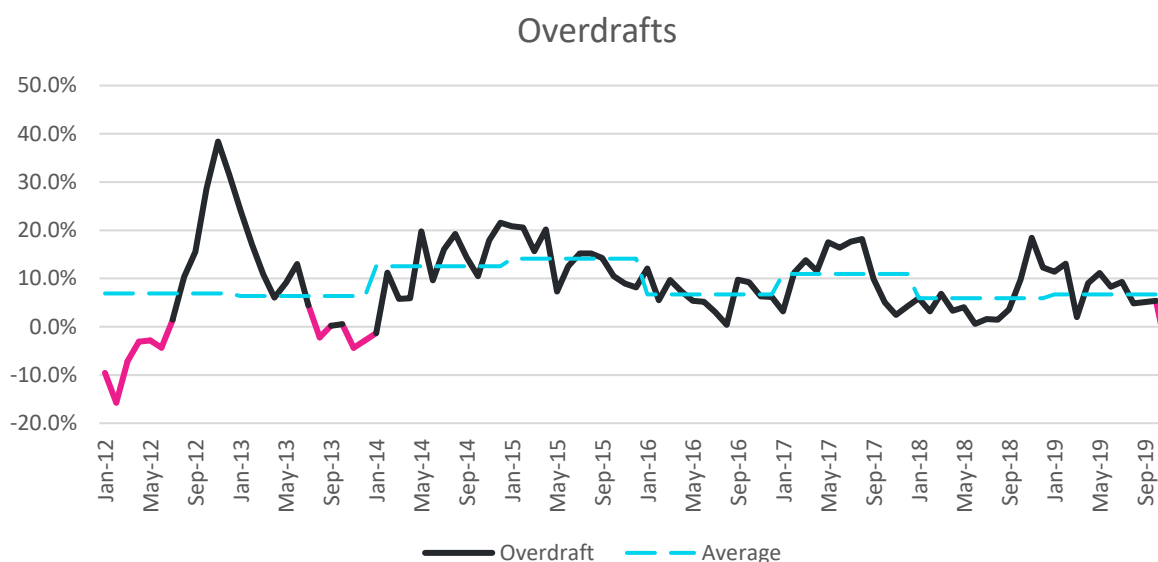
Growth in overdrafts ramped up 0.9 percentage points, as compared to October, amounting to an annual growth of 9.5%. The increase is a further indication, in the context of the surge in other loans and advances, of strained households using short term facilities to fund their expenditure.

Instalment credit continued to post negative growth for the 28th consecutive month, with attributable contributions of -0.7 percentage points, growing at -5.8% (a slight increase MoM). Total outstanding instalment credit amounted to N\$6.4 billion in November 2019.

Businesses



Growth in credit extended to businesses continued to slow, on an annual basis, into the month of November, with growth of 0.5% and 5.7% percentage points on a monthly and annual basis, respectively. This translates to 0.2 percentage point increase and 0.3 percentage point decrease relative to the prior month and previous comparable period, respectively. This resulted in outstanding extensions of N\$41.0 billion to businesses, an annual increase of N\$2.2 billion.

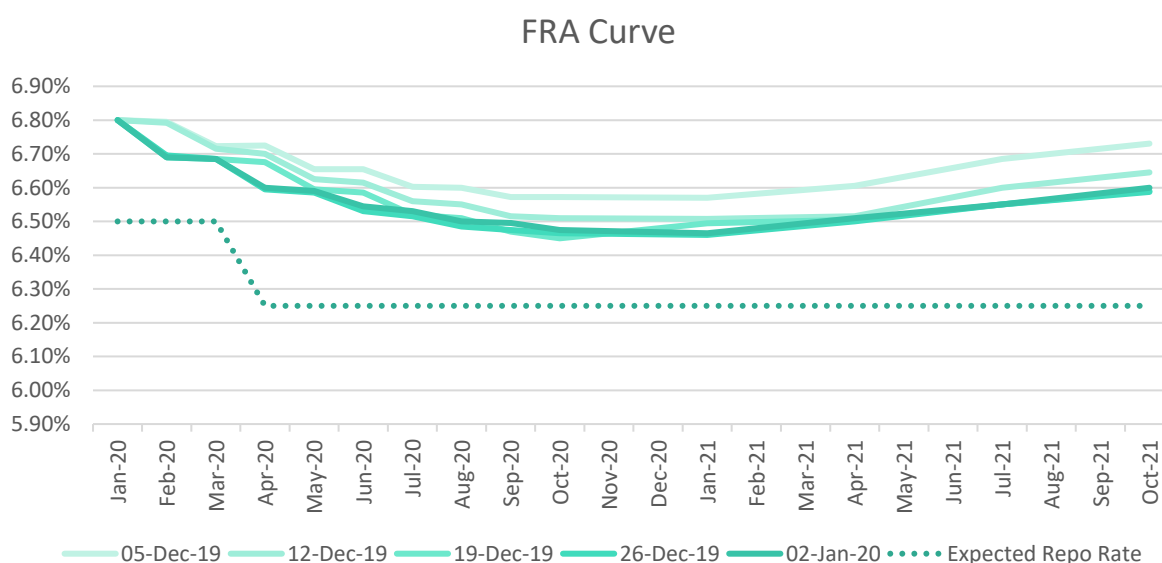


The slowdown was largely attributable to slowing growth in overdraft facilities used, which came off 11.1 percentage points compared to October, posting negative growth for the first time since January 2014 and growing at -5.8% annually. The negative growth illustrates that businesses are net re-payers of overdraft facilities. As was mentioned in a previous note, the lower use of short-term facilities, in conjunction with lower other loans and advances growth, indicates that corporates are opting to repay their short-term debt facilities – the first time since January 2014.

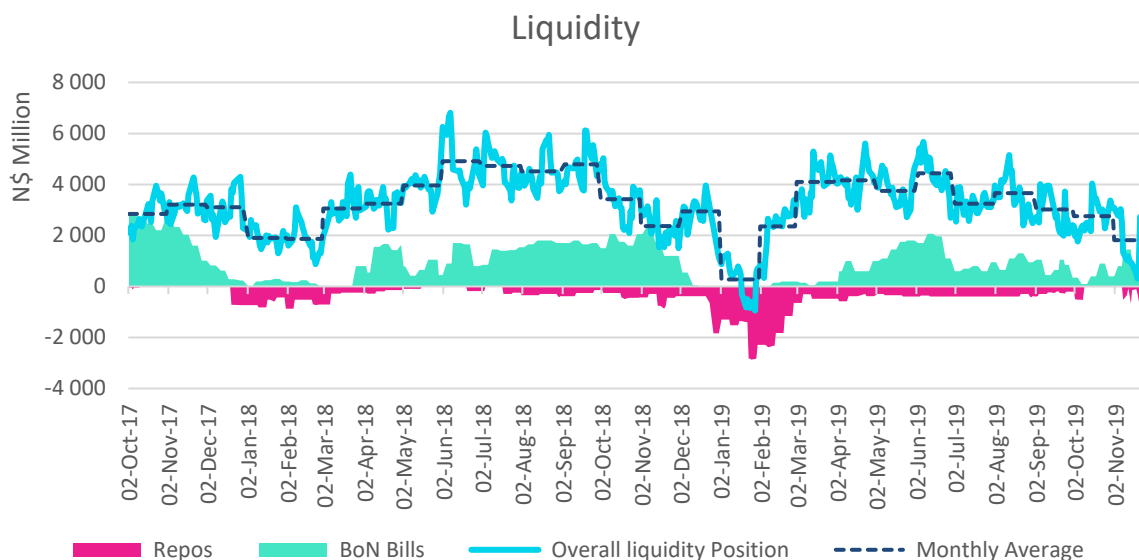
Interest Rates

In an unsurprising move, BoN announced no change the Repo Rate on 04 December 2019 leaving it at 6.50%. The central bank noted the struggling domestic economic activity, slowing inflation and slowing private sector extension as rationale for the decision.

Moving forward, the implied path of policy rates, described by the FRA curve, suggests that the South African policy rate is anticipated to be cut by the end of the first quarter of 2020 as weaker growth forecast persist regionally and globally. Further room for this is provided by the rand ending 2019 stronger than it started that year.

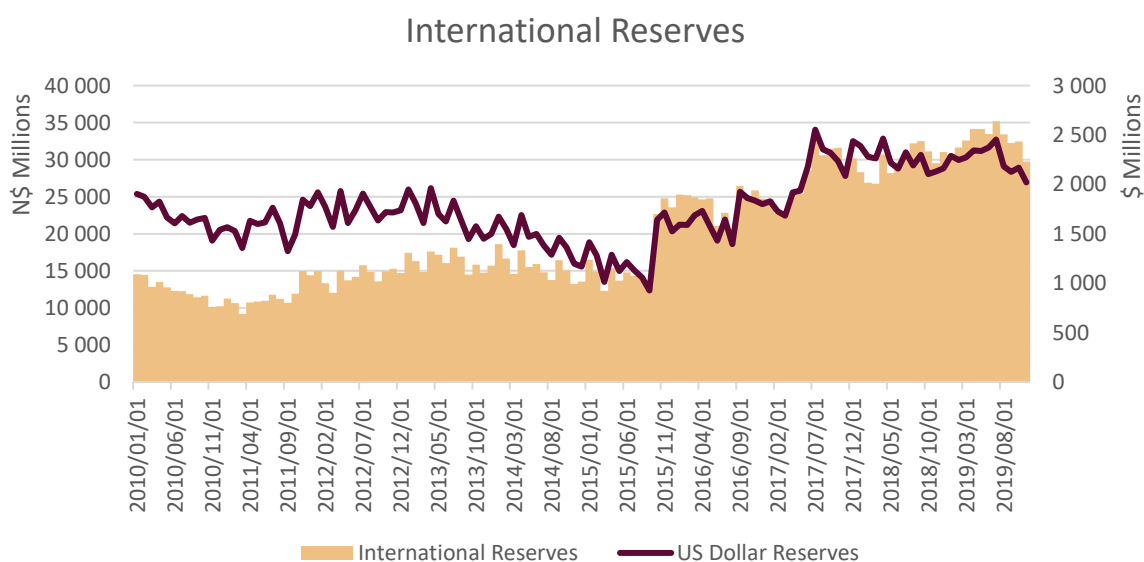


Liquidity



Liquidity continued to fall, for the third consecutive month, into November averaging N\$1.8 billion as compared to N\$2.8 billion in the prior month. Repo facilities continued to be exercised, at a much larger rate than the prior month, which is indicative of the lower liquidity levels. Other significant factors include cross border transactions, an increase BoN bill facilities used and the issuance of a new 273-day Treasury Bill.

International Reserves



Foreign reserves fell significantly into the month of November with MoM growth of -8.4%, a value decrease of N\$2.7 billion. During this period the ZAR experienced an appreciation relative to the USD. BoN attributed the increase mainly due to net purchases of rands by commercial banks for import payments coupled with increasing Government foreign payments. These payments are associated with Eurobond payments that usually get paid in the second and fourth quarter of the year.