02 December 2019

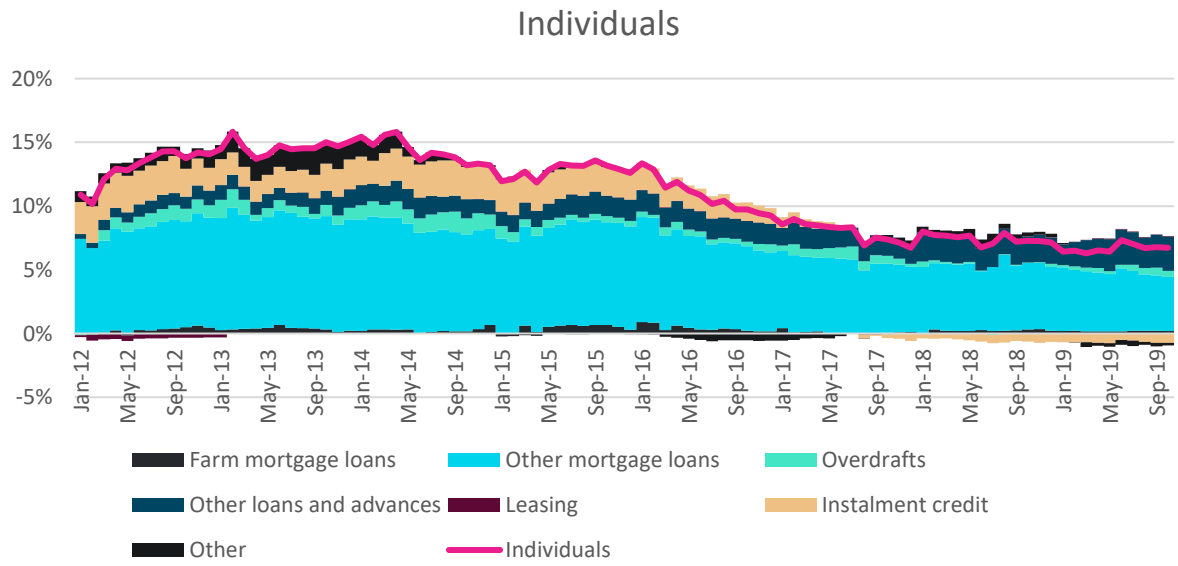
CIRRUS SECURITIES

## Private Sector Credit Extension

| | N$ Million | Change in N$ Million | | % Change | |
|---|---|---|---|---|---|
| | Outstanding | MoM | YoY | MoM | YoY |
| **Individuals** | **60 130.2** | **378.4** | **3 407.1** | **0.6** | **6.7** |
| - Mortgage Loans | 40 915.9 | 256.7 | 2 246.3 | 0.6 | 6.5 |
| - Other Advances & Loans | 7 798.3 | 149.3 | 1 372.3 | 2.0 | 24.2 |
| - Overdraft | 3 343.0 | -69.3 | 332.9 | -2.0 | 8.6 |
| - Installment Credit | 6 440.7 | -4.8 | -415.1 | -0.1 | -6.1 |
| **Businesses** | **40 777.2** | **131.5** | **2 171.5** | **0.3** | **6.0** |
| **Total PSCE** | **101 907.3** | **510.1** | **5 384.7** | **0.5** | **6.1** |

Growth in credit extended to the private sector slowed in the month of October with YoY growth of 6.1%, 0.1 percentage points lower than was experienced in the month prior however this growth rate was experienced in the comparable period in 2018. This resulted in MoM and YoY extensions of N$510.1 million and N$5.4 billion, respectively, into October 2019 to an outstanding amount of N$101.9 billion. Both extension growth to individuals and businesses slowed in the month October moving down to 6.7% and 6.0%, respectively, as extension to individuals and business moved down 10 and 20 basis points over the month, respectively.

## Individuals






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Credit extended to individuals grew by 6.7% annually, or N$3.4 billion, a slight decrease of 0.1 percentage points as compared to the previous month. Credit extensions to individuals experienced MoM growth of 0.6% resulting in an outstanding amount of N$60.1 billion extended to individuals.

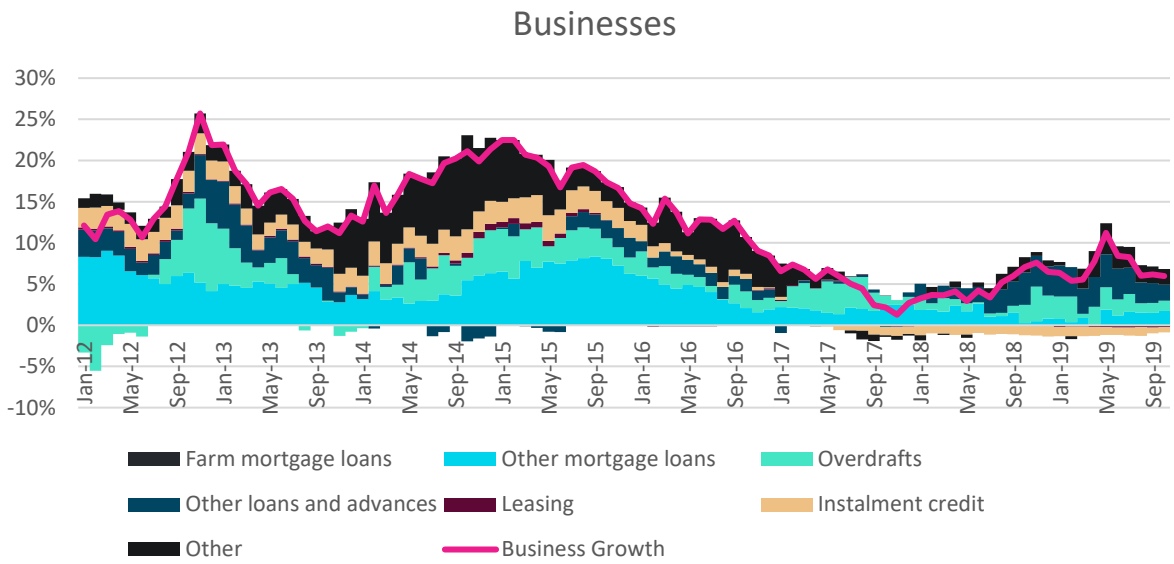
Mortgage extension growth remains subdued with annual growth of 6.5%, 20 basis points lower than was experienced in September 2019 and continually expanding at the lowest observable levels since 2006 – as far back as our time series goes.

Other loans and advances continued to grow in excess of 20%, annually, increasing 1.1 percentage points over the month amounting to 24.2%. As consumers continue to face difficult times, we expect strong growth in this line item through the continual use short-term debt facilities.

Growth in overdrafts extension came off 2.4 percentage points, as compared to September, amounting to an annual growth of 8.6%. The decline was mainly attributable to lower demand coupled with repayment by households.

Instalment credit continued to drag on growth for the 27th consecutive month, with attributable contributions of -0.8 percentage points, growing at -6.1% and amounting to N$6.4 billion in October 2019.

**Businesses**

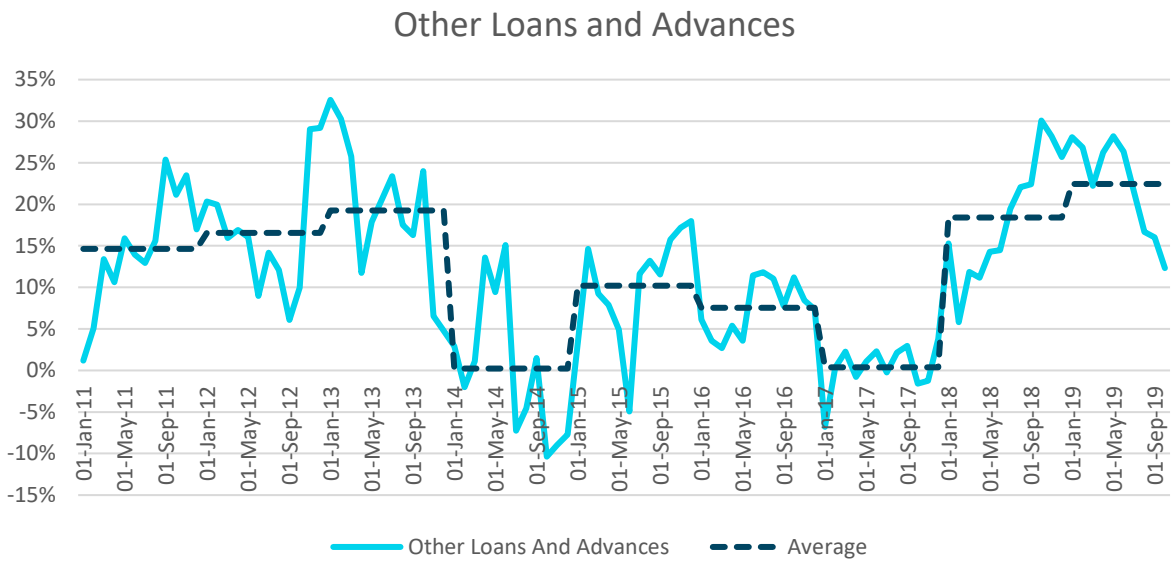



Growth in credit extended to businesses slowed into the month of October, with growth of 0.3% and 6.0% percentage points on a monthly and annual basis, respectively. This translates to 0.2 and 1.6 percentage point decrease relative to the prior month and previous comparable period, respectively. This resulted in outstanding extensions of N$40.8 billion to businesses, an annual increase of N$2.2 billion.



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The slowing in growth was largely attributable to slowing in growth in other loans and advances which came of 4.0 percentage points, compared to September, growing at 12.3% annually thereby reaching an 18-month low. The lower use of short-term facilities is a promising sign as the over reliance of these facilities become more prevalent, during the continued tough economic climate, to finance stressed corporates.




## Interest Rates

On the 21 November the South African Reserve Bank (SARB) monetary policy committee met to discuss their monetary policy. In an anticipated move, the repo rate was held at 6.50%. SARB rational for the decision was weaker economic growth over remainder of the 2019 year and balanced inflation risks which will continue to be subdued by demand side pressures. Three members preferred to keep interest rates on hold and two members preferred a cut of 25 basis points.

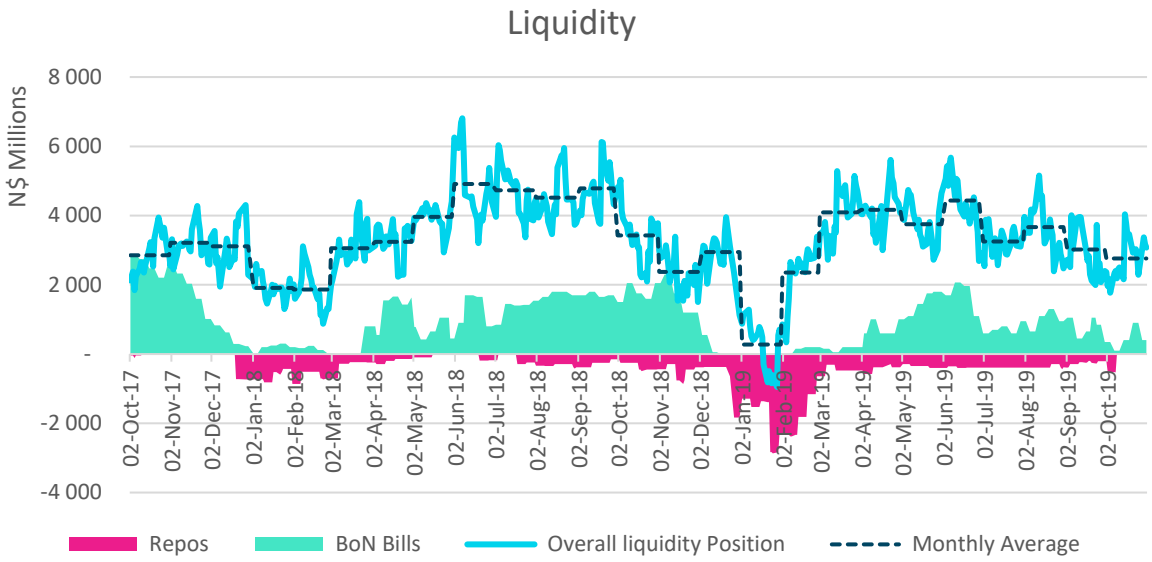
Moving forward, the implied path of policy rates, described by the FRA curve, indicate that the South African policy rate is anticipated to be cut by the end of the first quarter of 2020 as weaker growth forecast persist locally and globally.

In December BoN is set to mimic the decision undertaken by SARB – baring any unusual idiosyncratic developments.

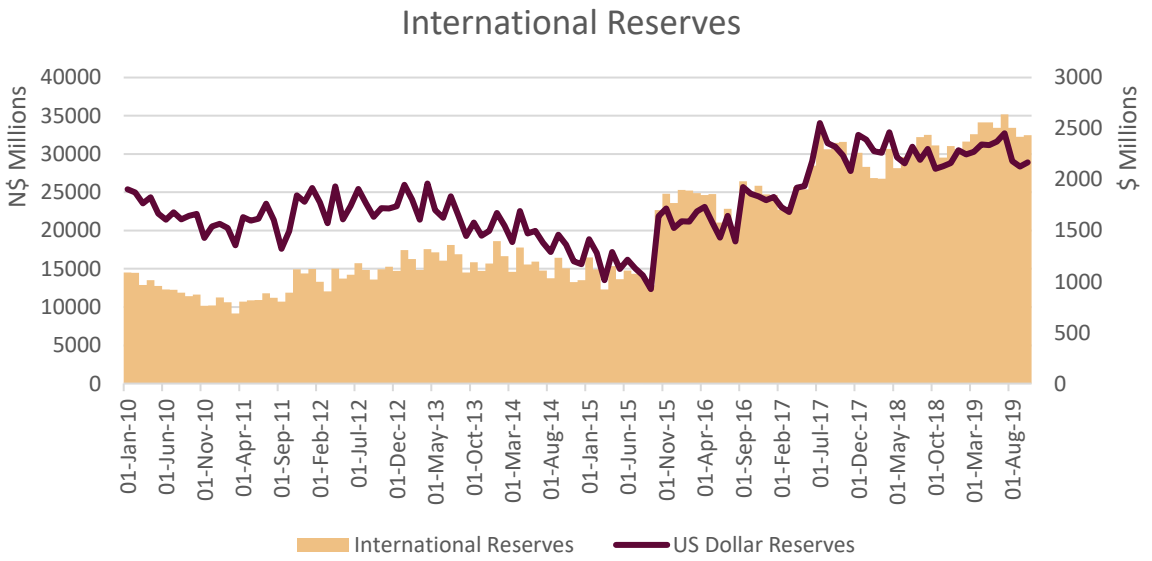
## Liquidity

Liquidity continued to fall, for the second consecutive month, into October averaging N$2.8 billion as compared to N$3.0 billion in the prior month. One reason for this was the continued usage of the repo facilities which only halted in the second week of October. Another significant influencer was that of cross border transaction in October which saw large transaction made in South Africa through October and November. Finally, BoN also attributed

the decline in liquidity to lower government spending which is attributed to lower economic activity experienced.




**International Reserves**




Foreign reserves rose marginally into October with MoM growth of 0.6% - a value increase of N$204 million. Moreover, during this period the ZAR appreciated relative to the USD translating to an increase in reserves, in dollar terms, of US$40 million or a 2% increase. The increase was due to an inflow of SACU receipts coupled with lower government payments during October.