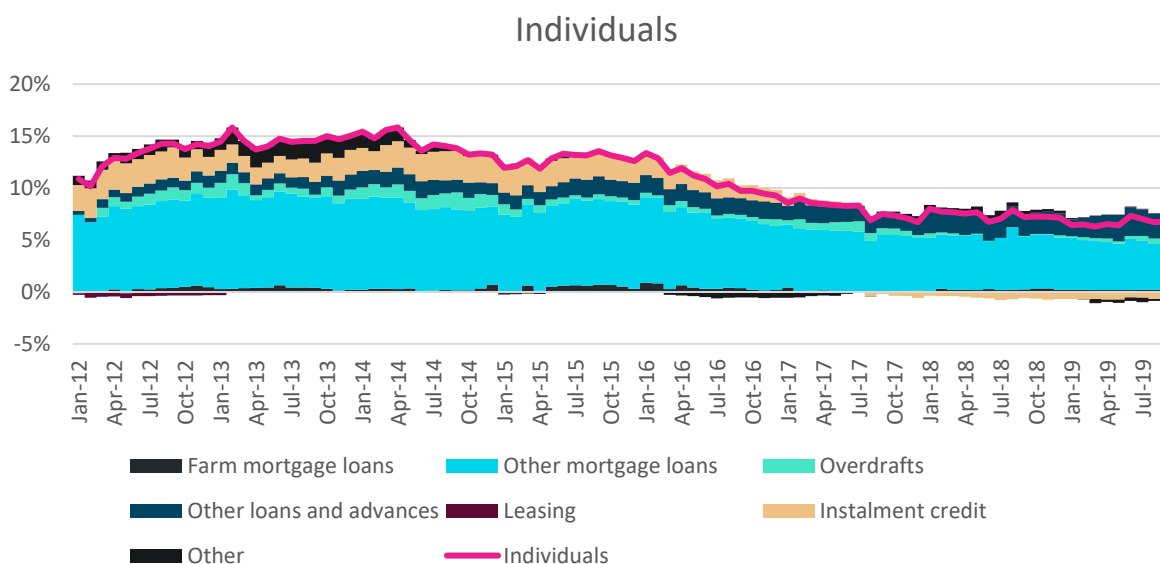


30 October 2019

CIRRUS
SECURITIES**Private Sector Credit Extension**

	N\$ Million Outstanding	Change in N\$ Million		% Change	
		MoM	YoY	MoM	YoY
Individuals	59 751.8	314.6	3 796.7	0.5	6.8
- Mortgage Loans	40 659.2	157.5	2 558.8	0.4	6.7
- Other Advances & Loans	7 649.0	172.3	1 436.4	2.3	23.1
- Overdraft	3 412.3	61.0	337.0	1.8	11.0
- Installment Credit	6 445.5	-46.2	-413.9	-0.7	-6.0
Businesses	40 645.7	383.5	2 358.9	1.0	6.2
Total PSCE	101 397.2	644.5	5 953.7	0.6	6.2

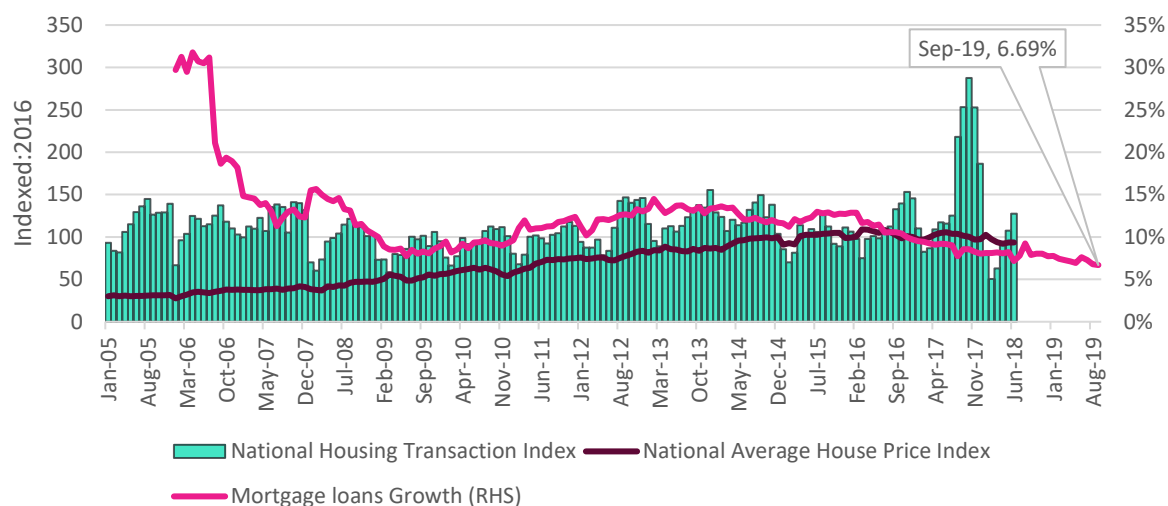
Credit extended to the private sector in the month of September grew 6.2%, on an annual basis, 0.5 percentage points lower than the comparable period in 2018 and 0.1 percentage points higher than growth experienced in August 2019. This resulted in MoM and YoY extensions of N\$644.5 million and N\$6.0 billion, respectively, in September 2019 to an outstanding amount of N\$101.4 billion. Both extensions to individuals and businesses experienced an uptick, moving up to 6.8% and 6.2% respectively, however these growth increases were modest with extension to businesses climbing by 20 basis points and business extensions increasing a modest 10 basis points compared to the previous month.

IndividualsCIRRUS
SECURITIES

Credit extended to individuals grew by 6.8% annually, or N\$3.8 billion, a slight increase of 0.1 percentage points as compared to the previous month. This resulted in an outstanding amount of N\$59.8 billion extended to individuals.

Much of this growth, approximately 4.4 percentage points, is attributable to mortgage loan advances to individuals which grew by 6.7% annually. However, this is the lowest mortgage loan growth experienced since January 2006 – as far back as our time series goes. This is a clear indicator for the current deflationary market experienced within our housing sector, coupled with the depressed consumer environment.

Mortgage Loan Growth

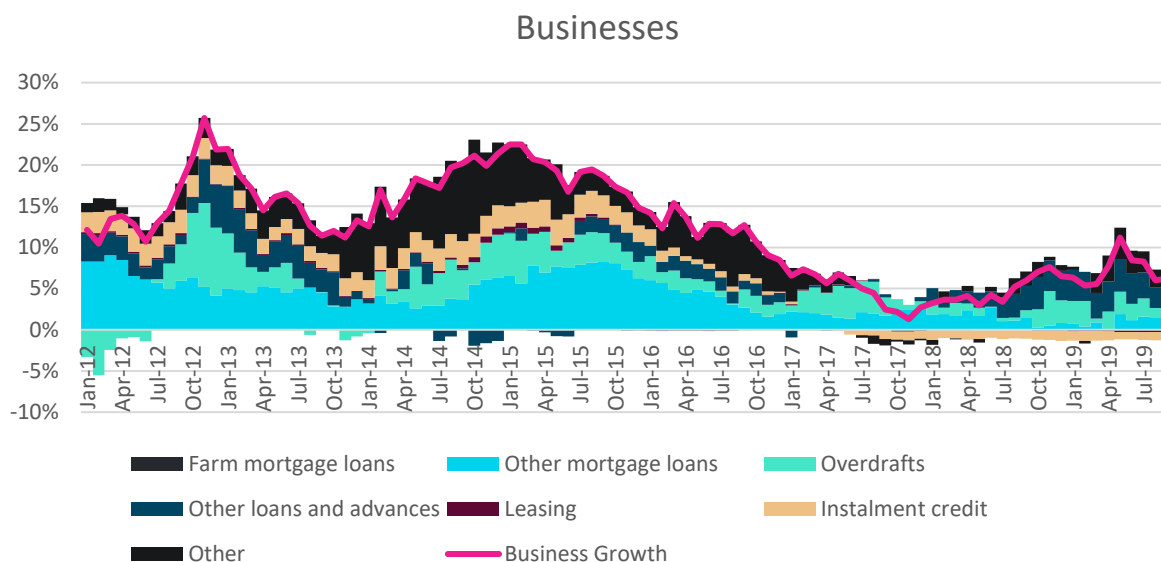


The persistent growth rate, in excess of 20% since February 2019, in other loans and advances carried into September with a growth rate of 23.1% for the month. This was 1.5 percentage points higher than in August which continually suggests that there has been sustained dependence on short-term debt facilities.

This is further illustrated with the increased growth rate of overdraft facilities accessed by individuals. As mentioned in our previous note, with the prevailing challenging times set to persist households will likely continue to rely on short-term financing facilities. Overdrafts to individuals grew by 11.0% annually and growth in this line item is at a 24-month high.

Instalment credit continued to be a drag on growth with attributable contributions of -0.7 percentage points, growing at -6.0% annually and amounting to N\$6.4 billion in September 2019. This notion will continue to persist as the country prepares to post the lowest annual vehicle sales figures in a decade.

Businesses



Growth in credit extended to businesses saw a relatively higher uptick as compared to individuals, with increases of 0.2 percentage points on both a monthly and annual basis, amounting to total growth of 6.2% annually. This resulted in outstanding extensions of N\$40.6 billion, an annual increase of N\$2.4 billion.

The uptick in growth was largely due to growth in mortgage loans acquired by businesses as dwelling mortgages grew by 5% annually, as compared to -1% in the previous month. Moreover, growth was attributable to a slower decline in instalment credit with smaller annual reductions of -6.2% in September as compared to the previous month's reduction of -8.5%.

Exchange Rates and Interest Rates

In an unsurprising move, the Bank of Namibia elected to hold its repo rate at 6.50% at its MPC meeting in September, keeping its rate equated to the South African repo rate. The MPC cited the weak domestic economy and one-to-one link between the South African rand and Namibia dollar as rationale for their decision.

On 30 October 2019 South Africa's Minister of Finance, Tito Mboweni, tabled the medium-term budget policy statement. Subsequently the South African rand plummeted 3.10%, the most since September and the biggest drop in emerging markets, to R15.06 per dollar. Yield on local-currency debt due 2026 jumped 23 basis points to 8.44%.

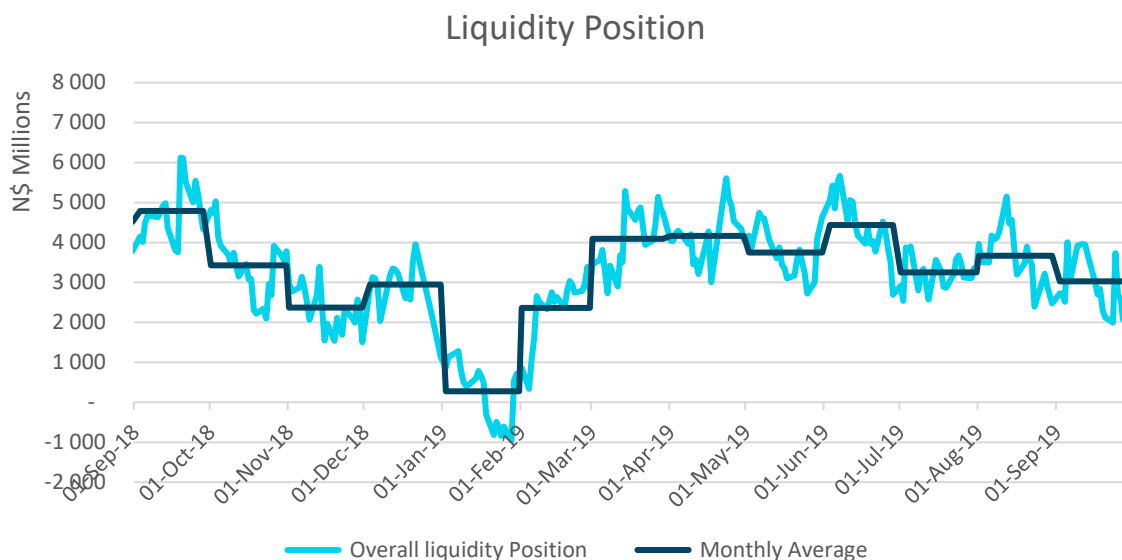
This was mostly the result of news on the country's troubled power utility, Eskom, receiving R10 billion more than was previously allocated which has further fuelled notions of a national credit downgrades.



In the United States, the Federal Reserve cut its interest rate policy band by 25 basis points. As was not the circumstance a month ago, markets anticipated the FED's decision to cut its policy rate by 25 basis points with utmost certainty however are once again uncertain in which direction future policy rates will move.

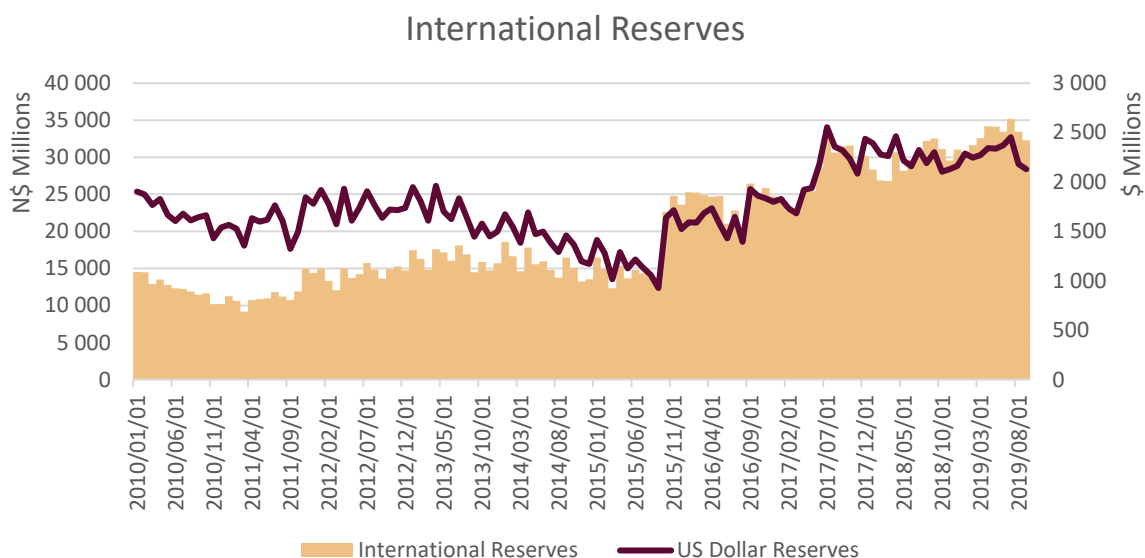


Liquidity



September saw liquidity decrease as compared to August, with liquidity averaging N\$3.0 billion over the month compared to N\$3.7 billion in August. The decrease in the overall liquidity balances was as a result of lower domestic Government spending. This was also as a result of foreign currency outflows from import payments over the corresponding period.

International Reserves



Foreign reserves continued to fall into September dropping by N\$1.2 billion, or -3.4%, over the month to N\$32.3 billion. Moreover, this amounted to a decrease of US\$53 million, or -2.5%, of foreign reserves in hard currency terms over the month. BoN attributed the decrease to an increase in net foreign capital outflows during the period.

Expectations

With the disinflationary environment in South Africa that was brought forward into the month of September, high unemployment and persistent slow growth it is anticipated that the South African Reserve Bank will cut interest rates – and Bank of Namibia will follow suite.

However, due to the same prevailing macroeconomic conditions, YTD vehicle sales are currently at their lowest levels in a decade. With household debt to disposable income is approximately 96%, a further anticipated economic contraction in 2019 (possibly the deepest in the country's independent history), a recent ratings downgrade by Fitch, persistent high unemployment rates and real wage rate rigidity, PSCE figures will remain subdued for the foreseeable future.