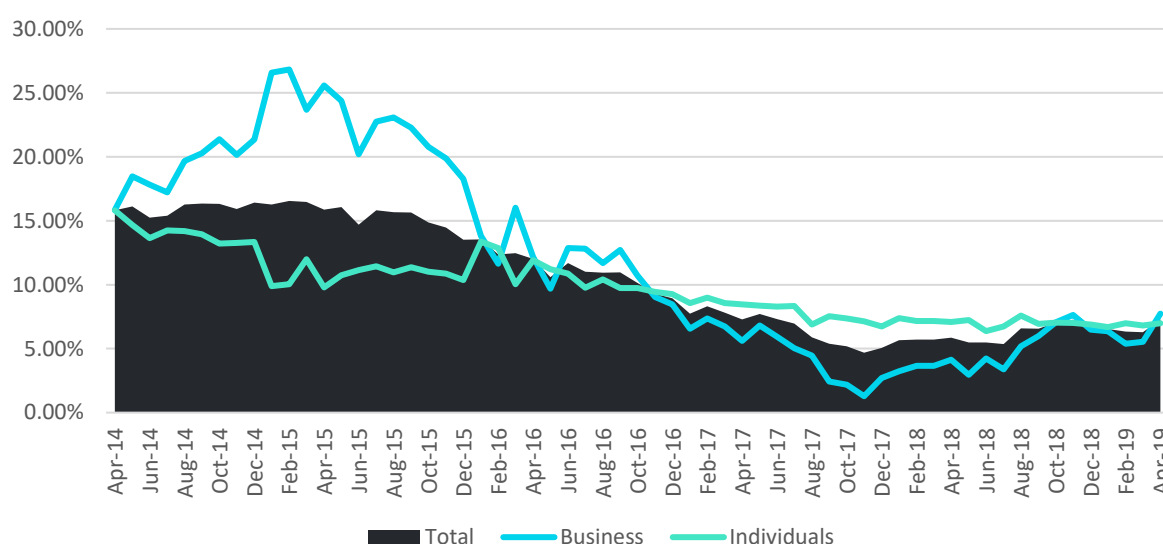


Private Sector Credit Extension Note – April 2019

The total credit extended by the end of April 2019 stood at N\$99,093.71 million, with the private sector credit amounting to N\$98,020.12. The annual private sector credit growth accelerated by a percentage point to 7.3% from the figures recorded in March 2019. This growth is mainly ascribed to business credit which grew by 2.2 percentage points as individual credit recorded a marginal increment of 0.18 percentage points.

Figure 1 Private Sector Credit Extension Growth



Individuals

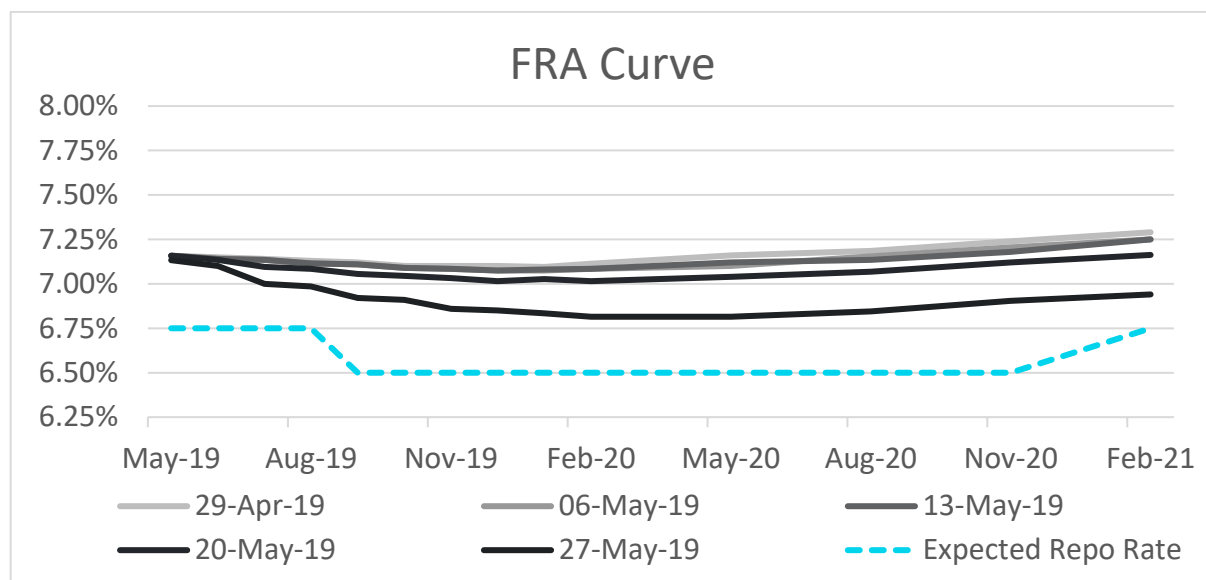
Total credit extended to households stood at N\$58,169.0 million, implying a 6.99% increase year-on-year (y/y) a slight improvement from March's 6.81% y/y growth. The key driver for individuals credit extension growth was mortgage loans which grew by N\$162.8 million on the month and N\$2,617.0 million year-on-year. The short-term credit facility, overdrafts, increased N\$193.7 million while installment credit (medium term) contracted N\$398.5 million y/y. This trend points to households' income and cash constraints caused by historical accumulation of medium to long term debt. Thus, household appetite for medium term credit is expected to remain low in the second quarter of 2019.

Businesses

Total outstanding credit to businesses accelerated to new heights and amounted to N\$39,851.1 million at the end of April 2019, after slowing down m/m in March 2019. This represents a 7.7% increase y/y and 2.1% m/m. The main contributor to this month-on-month increase was a 4.7% growth in overdrafts which stood at N\$9,697.4 million in April 2019. This is quite a significant month on month increase and points to either challenges in working capital or improved short term confidence in economic activities. The latter is a more probable explanation given a broader increasing trend in total business credit since the start of 2019.

Interest Rates

With the IMF supporting the U.S Federal Reserve's decision to its rate-hiking cycle and cautioning the Bank of England to wait before hiking borrowing cost, the likelihood of at least one rate cut before the end of the year has become perceptible.



On the local front as indicated by the FRA curve, the market expects a rate cut. This is further supported by the low inflation recorded in the first quarter of 2019, averaging 4.5%. Expectations are for inflation to remain below 5.0% for the remainder of 2019.

Liquidity

The upward liquidity trajectory continued through April 2019 with average liquidity increasing to N\$4.182 billion in April 2019. The continued improvement in liquidity positions meant a reduction in the usage of BoN's Repo facility, as outstanding balance reduced by 60.7% to N\$290.98 million from N\$479.32 million in March 2019.

