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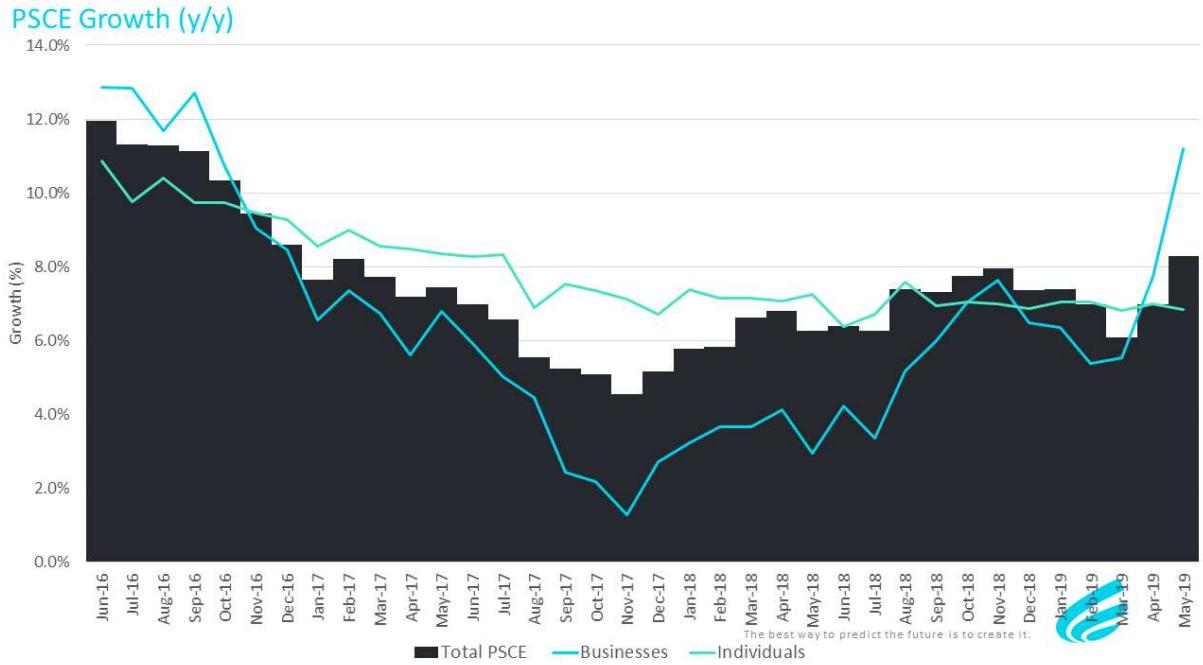
Private Sector Credit Extension

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Private Sector Credit Extension

Credit extended to the private sector at the end of May 2019 totalled N$101.3 billion, with growth accelerating to 8.3% year-on-year(y/y). This is the fastest annual growth rate in 30 months, but is still below the double-digit growth rates that were the norm prior to the economic slowdown that began in 2016.



Individuals

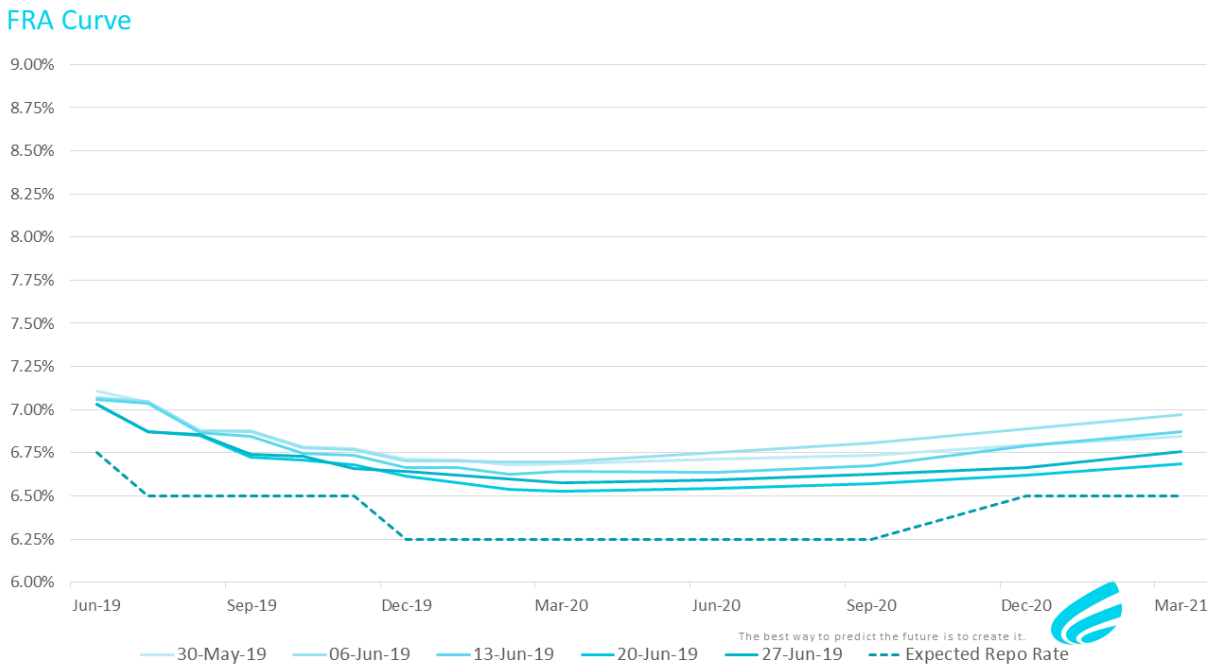
Growth in credit to households slowed to 6.8% y/y in May from 7.0% in April, to bring total household credit to N$58.42 billion. Annual growth in the instalment credit and other credit lines once again contracted, showing that households continue to repay these lines of credit rather than be issued more. In fact, instalment credit to households peaked at N$7.46 billion in December 2016 and since then a total of N$892 million in this line has been repaid.

Businesses

Credit extended to business grew by 11.2% y/y in May, up from the 7.7% growth in April and more than double the 5.5% growth in March. This is the fastest growth rate for credit extended to business in 33 months and the first time it has hit double-digit growth since October 2016. This brought total PSCE to businesses to N$40.95 billion. This sharp uptick is attributed to growth in overdrafts, commercial property loans and short-to-medium term loans for the retail sector. As is the case with households, businesses continue to be net repayers of instalment credit and have done so since May 2017.

Interest Rates

The market is now convinced that the US Fed will cut rates at least once, with the latest sentiments showing 100% market expectation of a cut as soon as the end of July 2019. This is a dramatic change from the sentiment just six months ago, as the end of 2018 and early 2019 saw markets pricing in rate hikes.

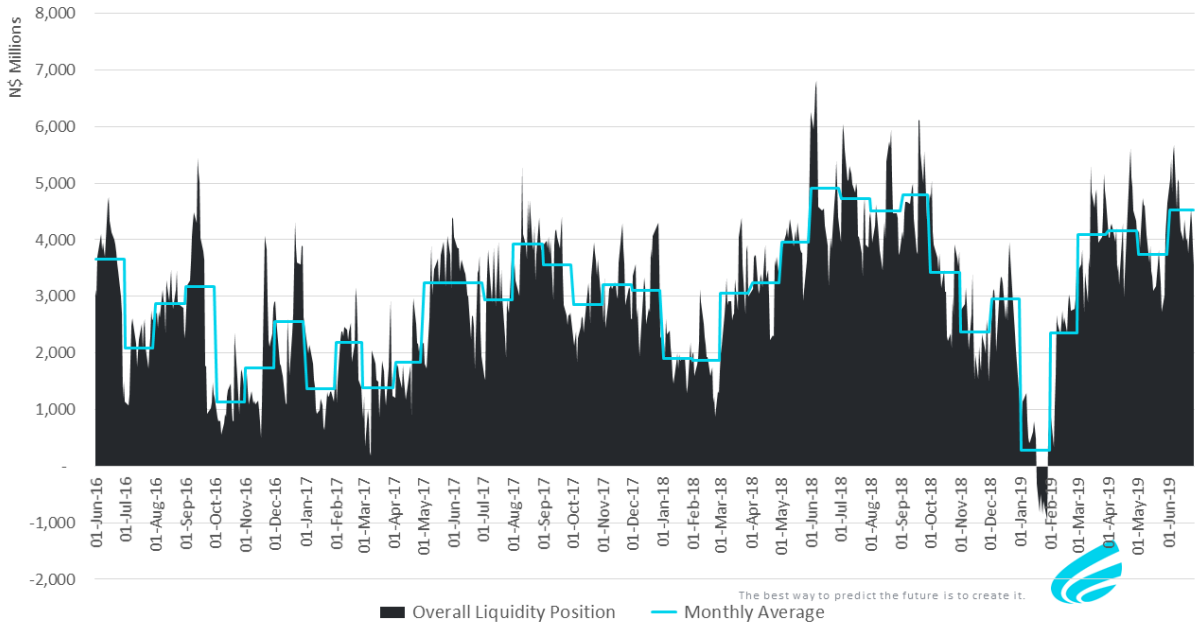


The about-turn in global rate expectations provides some breathing room closer to home. The SARB and Namibia have not adjusted their key rates so far in 2019. However, the anticipated cut in the US will provide room for a cut in South Africa. Given South Africa's sluggish economic growth and stable inflation, well within the SARB's benchmark, the SARB will likely look to cut the repo rate in an effort to stimulate some growth through consumption. Should the SARB cut, the Bank of Namibia will most likely follow suit given similar reasoning. It is important to remember that the Bank of Namibia's primary mandate is to maintain the currency peg with the Rand (everything else, such as inflation targeting, is secondary) and thus must keep the repo rate either in line with or above the SARB's repo rate. Thus, for the foreseeable future, the BoN is expected to follow in the steps of the SARB in terms of the direction of monetary policy.

Liquidity

Overall liquidity in the banking sector dropped from an average of N$4.17 billion in April to N$3.75 in May. Despite the drop, liquidity remains fairly strong especially after the low position in January which also saw a week-long negative liquidity run. Demand for BoN Bills increased during May. The liquidity position recovered in June, with average liquidity for the month above N$4.52 billion. The high liquidity levels can be attributed to Reg 13 which saw Namibian pension funds move assets back into the country. While this has resulted in the notably strong liquidity position, this is not expected to last.

Banking Sector Liquidity



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