

02 March 2020

CIRRUS
SECURITIES**Private Sector Credit Extension**

	N\$ Million	Change in N\$ Million		% Change	
	Outstanding	MoM	YoY	MoM	YoY
Individuals	58,668.0	-2,686.5	3,854.8	-4.4	7.0
- Mortgage Loans	40,203.3	-1,102.4	2,452.5	-2.7	6.5
- Other Advances & Loans	7,461.4	-1,144.9	1,729.8	-13.3	30.2
- Overdraft	2,787.4	-617.6	234.8	-18.1	9.2
- Instalment Credit	6,566.8	159.2	-450.9	2.5	-6.4
Businesses	44,455.6	3,036.4	3,117.4	7.3	7.5
Total PSCE	104,043.6	304.6	6,771.5	0.3	7.0

Growth in credit extended to the private sector ticked up slightly in the month of January 2020 with YoY growth of 7.0%, 10 bps higher than was experienced in December. However, growth was 0.4 percentage points slower as compared to January 2019. This resulted in MoM and YoY extensions of N\$305 million and N\$6.8 billion, respectively, to an outstanding amount of N\$104.0 billion. Extension growth to individuals slowed from December moving down 20 bps down to 7.0%, whereas extension growth to businesses moved up 40 bps to 7.5%. Non-resident extension growth continued to act as a drag on growth, falling -17.9% annually to N\$920 million.

Individuals

Credit extended to individuals grew by 7.0% annually, or N\$3.9 billion, a decrease of 20 bps as compared to the previous month. Credit extension to individuals experienced MoM growth of -4.4%, the single largest MoM contraction in growth since April 2004. This resulted in an outstanding amount of N\$58.7 billion in credit to individuals.

Mortgage extension growth moved up with up to 6.5%, 0.6 percentage points higher than was experienced in December 2019. This is the first acceleration in growth in the line item since November 2018 amidst the depressed property market.

Other loans and advances continued to grow in excess of 20%, annually, however slowed down by 1.8 percentage points over the month to 30.2%. Similarly, growth in this line, on a monthly basis, amounted to -13.3%. This strong growth is indicative of weak household balance sheets as household indebtedness remains high however the large monthly contraction was due to base effects that occurred due to slowdown in consumption from the festive season.

Growth in overdrafts ramped up by 1.0 percentage points, as compared to December, amounting to annual growth of 9.2%. The relatively strong growth here is a further indication, in the context of the surge in other loans and advances, of strained households using short-term facilities.



Finally, instalment credit continued to post negative growth for the 30th consecutive month, with annual growth of -6.4%.

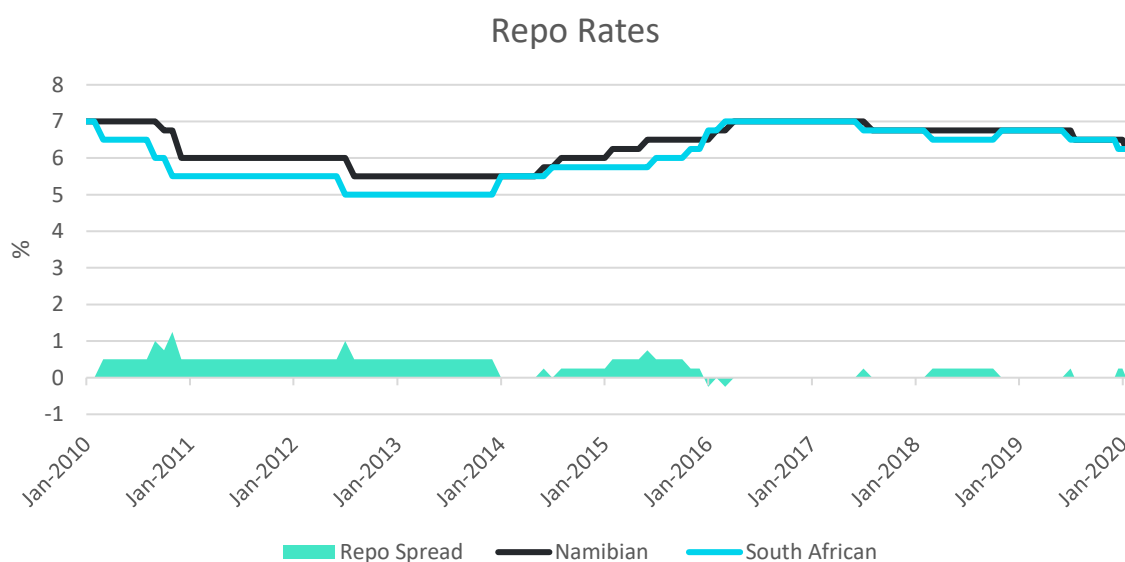
Businesses

Growth in credit extended to businesses moved up into January, both on an annual and a monthly basis, with respective increases of 1.1 and 0.4 percentage points. This translated into monthly and annual extension growth figures of 7.3% and 7.5%, respectively, with outstanding extensions of N\$44.5 billion to businesses, an annual increase of N\$3.1 billion. Monthly growth represents the single largest increase since January 2007.

The uptick in growth was largely due to an uptick in short-term debt facilities utilized by businesses. Growth in other loans and advances ramped up significantly into January with annual growth 21.3%; 4.6 percentage points higher than was experienced in the prior month. On a monthly basis, this translated into growth of 17.8% and amounted to N\$8.7 billion.

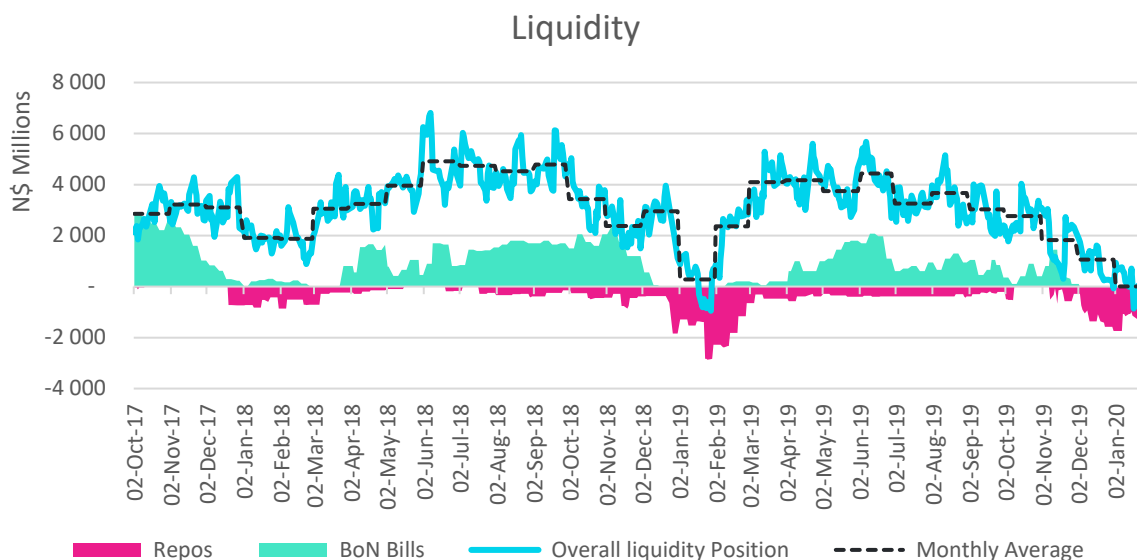
Moreover, other claims saw significant growth on an annual basis moving of 22.6% to N\$8.2 billion and continues to play a more significant factor in overall extensions to businesses at approximately 20% of total extensions to businesses.

Interest Rates



On 19 February, in an anticipated move, the Bank of Namibia elected to cut its repo rate by 25 bps to 6.25% thereby equating the rates in Namibia and South Africa. The rationale for the decision was to support the domestic economy and maintain the one-to-one link between the NAD and ZAR.

Liquidity



Liquidity continued to fall, for the fifth consecutive month, into January averaging N\$5 million as compared to N\$1.1 billion in the prior month. Moreover, liquidity persisted into negative territory for the majority of January, with 59% of the month presenting a negative figure. Liquidity bottomed at -N\$1.1 billion as at 27 January 2020 before returning into positive territory at the end of January. Seasonal factors played a significant role in the low liquidity figure, however BON also attributed the drop due to commercial banks taking long positions in liquid assets. Repo facilities continued to be exercised at a much larger rate than the prior month, which is indicative of the lower liquidity levels.

International Reserves

Foreign reserves improved into the new year, climbing (on a monthly basis) for the first time in 3 months. This represented a value increase of N\$2.1 billion (7.3%) on a monthly basis to total N\$31.0 billion in reserves, breaching the N\$30 billion mark for the first time since October 2019. Reserves also grew on an annual basis moving up 1.0% as compared to January 2019. During this period the ZAR experienced a depreciation relative to the USD. The increase was mainly due to inflow of SACU receipts received during the month of January, as these payments occur at the start of every quarter.

