

27 March 2020

CIRRUS
SECURITIES

Private Sector Credit Extension

	N\$ Million	Change in N\$ Million		% Change	
	Outstanding	MoM	YoY	MoM	YoY
Individuals	58,935.24	267.24	3,725.1	0.5	6.7
- Mortgage Loans	40,169.1	-34.2	2,165.6	-0.1	5.7
- Other Advances & Loans	7,648.3	186.9	1,762.9	2.5	30.0
- Overdraft	2,862.3	74.9	293.1	2.7	11.4
- Installment Credit	6,628.4	61.6	-354.2	0.9	-5.1
Businesses	43,918.9	-536.8	2,233.9	-1.2	5.4
Total PSCE	103,779.6	-264.1	5,755.0	-0.3	5.9

Growth in credit extended to the private sector slowed significantly in February 2020 with YoY growth of 5.9%, 110 bps lower than was experienced in January. Moreover, growth was 10 bps slower than in February 2019. This resulted in YoY extensions of N\$5.8 billion to an outstanding amount of N\$103.8 billion. Conversely, net repayments of N\$264 million occurred on a monthly basis as creditors repaid seasonal consumption experienced over the festive season. Both extension growth to individuals and businesses slowed over the month moving down 30 bps and 210 bps to 6.7% and 5.4%, respectively. Non-resident extension growth continued to act as a drag on overall growth, falling -18.1% annually to N\$926 million.

Individuals

Credit extended to individuals grew by 6.7% (or N\$3.7 billion) annually, a decrease of 0.3 percentage points as compared to the previous month. Credit extension to individuals experienced MoM growth of 0.5%. This resulted in an outstanding amount of N\$58.9 billion in credit to individuals.

Mortgage extension growth slowed to 5.7%, 0.8 percentage points lower than was experienced in January 2019. The downward trend since November 2018 continues, barring the uptick experienced in January 2020.

Although other loans and advances continued to grow in excess of 20%, annual growth was 20bps slower in February than in January. Conversely, on a monthly basis this line grew 2.5%. This strong growth is indicative of weak household balance sheets as household indebtedness remains high.

Growth in overdrafts increased 2.2 percentage points compared to January, amounting to annual growth of 11.4%. The relatively strong growth here is a further indication, in the context of the surge in other loans and advances, that strained households are using short-term facilities to fund their expenditure for extended periods of time.



Instalment credit continued to post negative growth for 31 consecutive months now, with annual growth of -5.1%.

Businesses

Annual growth in credit extended to businesses decelerated significantly into February, slowing 2.1 percentage points compared to January but recording the same figure as February 2019. This translated into monthly and annual extension growth figures of -1.2% and 5.4%, respectively, with outstanding extensions of N\$43.9 billion to businesses (an annual increase of N\$2.2 billion).

The slowdown was largely due to net repayments in short-term debt facilities utilized by businesses in the previous month. Growth in other loans and advances slowed significantly into February with a monthly contraction of 1.5% - a N\$1.4 billion net repayment. On an annual basis, growth remains above 20% at 20.1% - indicative of strained positions businesses find themselves in.

Moreover, overdraft facilities saw net repayments on both a monthly and annual basis with contractions of 0.5% and 3.9%, respectively. This amounted to total overdraft extensions of N\$10.3 billion in February 2020.

Finally, other claims still saw significant growth on an annual basis of 21.0% to N\$8.3 billion and continue to play a more significant factor in overall extensions to businesses at approximately 20% of total extensions to businesses.

Interest Rates and Monetary Policy

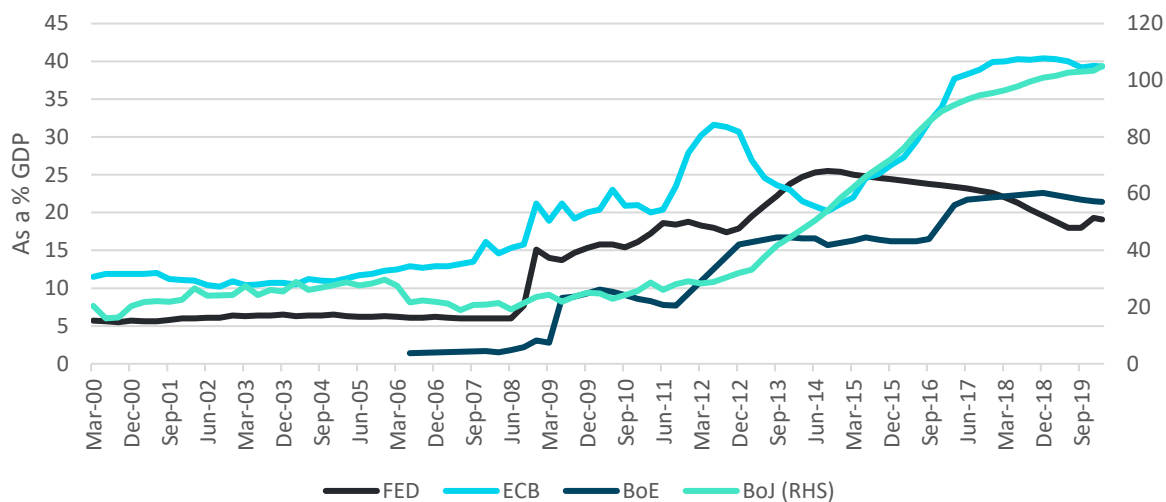
Global monetary policy took a dramatic dovish turn from February and into March, with several central banks cutting their policy rates significantly in direct response to the COVID-19 pandemic. This has left central bank policy, in real terms, at the most accommodative it has been in history with many real rates at negative levels. These rate cuts were experienced locally with the South African Reserve Bank (SARB) and Bank of Namibia (BoN) both cutting their repo rate by 100 bps to 5.25%. Below is a list of most major policy rates:

Country	Rate	Central Bank Rate (Last)	CPI YoY	Real Central Bank Rate	Last Move	Last Date	Move
Denmark	Deposit Rate	-0.75%	0.8%	-1.6%	Cut	Sep-19	
Switzerland	Target Rate	-0.75%	-0.1%	-0.7%	Cut	Jan-15	
Eurozone	Deposit Rate	-0.50%	1.2%	-1.7%	Cut	Sep-19	
Japan	Policy Rate Bal	-0.00%	0.4%	-0.5%	Cut	Jan-16	
Sweden	Repo Rate	0.00%	1.0%	-1.0%	Hike	Dec-19	
UK	Bank Rate	0.10%	1.8%	-1.7%	Cut	Mar-20	
US	Fed Funds	0.13%	2.3%	-2.2%	Cut	Mar-20	
New Zealand	Cash Rate	0.25%	1.9%	-1.7%	Cut	Mar-20	

Australia	Cash Rate	0.25%	1.8%	-1.6%	Cut	Mar-20
Canada	Overnight	0.75%	2.2%	-1.5%	Cut	Mar-20
South Korea	Repo Rate	0.75%	1.1%	-0.4%	Cut	Mar-20
Hong Kong	Base Rate	0.86%	1.4%	-0.5%	Cut	Mar-20
Norway	Deposit Rate	1.00%	0.9%	0.1%	Cut	Mar-20
Thailand	Policy Rate	1.00%	0.7%	0.3%	Cut	Feb-20
Saudi Arabia	Reverse Repo	1.00%	0.4%	0.6%	Cut	Mar-20
Chile	Base Rate	1.00%	3.9%	-2.9%	Cut	Mar-20
Poland	Repo Rate	1.00%	4.7%	-3.7%	Cut	Mar-20
Taiwan	Discount Rate	1.13%	-0.2%	1.3%	Cut	Mar-20
Czech Republic	Repo Rate	1.75%	3.7%	-2.0%	Cut	Mar-20
Peru	Policy Rate	2.25%	1.9%	0.4%	Cut	Nov-19
Malaysia	Policy Rate	2.50%	1.6%	0.9%	Cut	Mar-20
Philippines	Key Policy Rate	3.25%	2.6%	0.7%	Cut	Mar-20
Brazil	Target Rate	3.75%	4.0%	-0.3%	Cut	Mar-20
China	Loan Prime Rate	4.05%	5.2%	-1.2%	Cut	Feb-20
Indonesia	Repo Rate	4.50%	3.0%	1.5%	Cut	Mar-20
India	Repo Rate	5.15%	6.6%	-1.4%	Cut	Oct-19
Russia	Key Policy Rate	6.00%	2.3%	3.7%	Cut	Feb-20
Mexico	Overnight Rate	7.00%	3.7%	3.3%	Cut	Feb-20
South Africa	Repo Rate	5.25%	4.6%	0.7%	Cut	Mar-20
Namibia	Repo Rate	5.25%	2.5%	2.75%	Cut	Mar-20

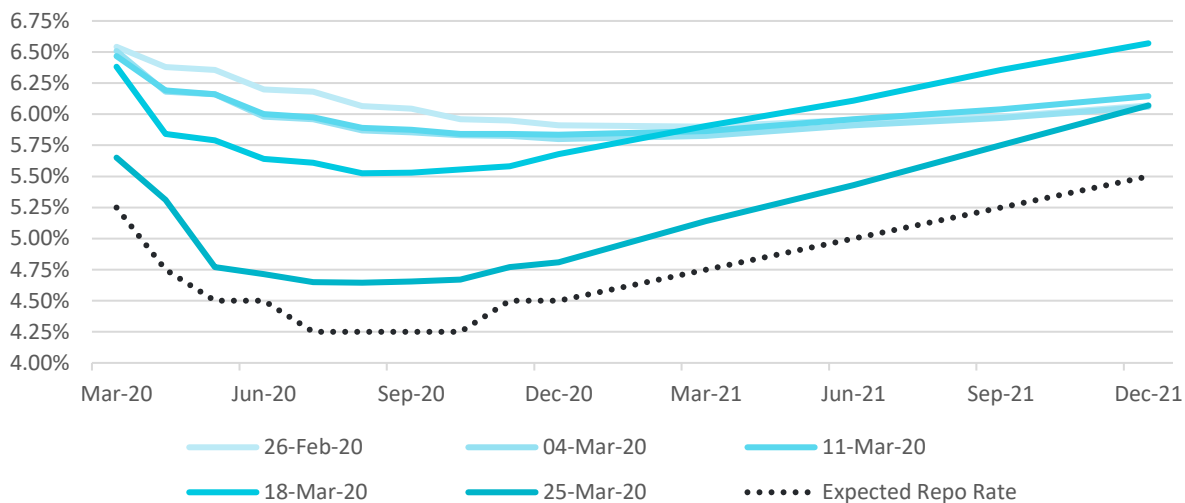
Moreover, advanced economies have taken further monetary policy steps to ensure that their economies remain relatively resilient. The European Central Bank, Bank of Japan, Bank of England and Federal Reserve rebooted their Quantitative Easing (QE) programmes and injected liquidity into their markets. Closer to home, the SARB has announced that they will be partaking in secondary auctions of government debt with purchases across the curve.

Central Bank Balance Sheet



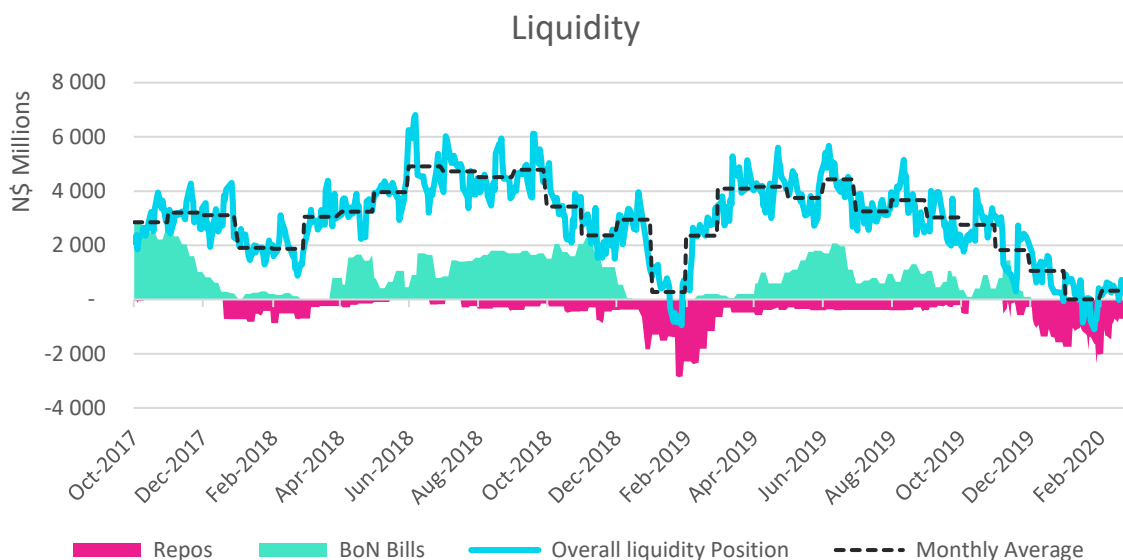
For these reason we expect interest rates to remain low for the year. The market anticipates further easing, as the FRA curve indicates a further 100 bps worth of cuts by October 2020.

FRA Curve

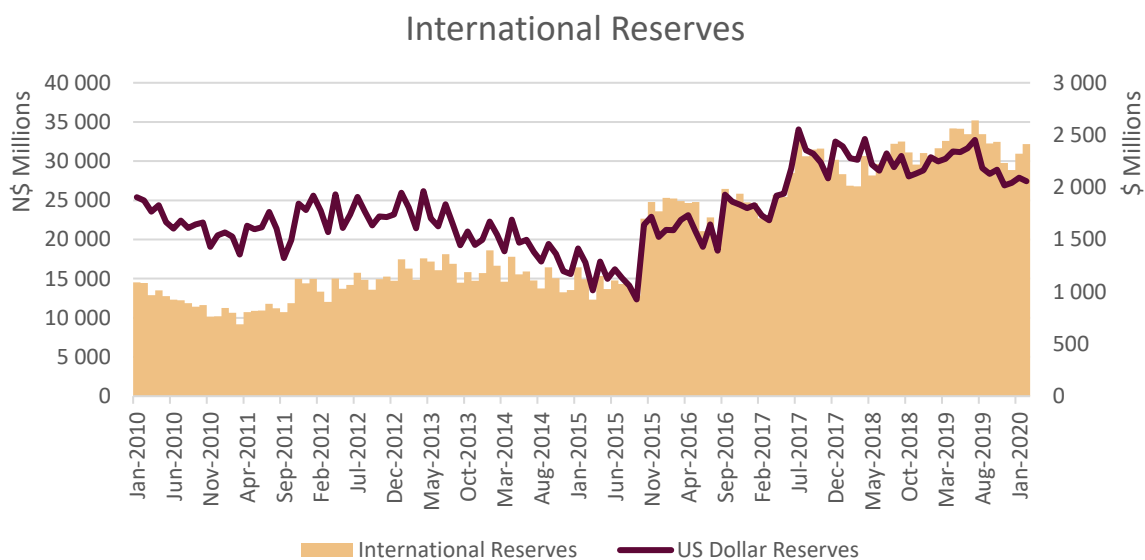


Liquidity

Liquidity improved into February, averaging N\$323 million as compared to N\$5 million in January. The overall bank liquidity position moved into negative territory twice in February however will continue to improve as banks gradually recover from the depletion of cash from the system over the festive season.



International Reserves



Foreign reserves continued to improve into February, climbing for second consecutive month. This represented a value increase of N\$1.2 billion (3.9%) on a monthly basis to total N\$32.2 billion. Reserves also grew on an annual basis, increasing 1.0% as compared to January 2019. Over February, the ZAR continued to experience a depreciation relative to the USD for the third consecutive month. According to BoN, the increase was mainly supported by exchange rate fluctuations and lower government payments during the period under review.