Private Sector Credit Extension

	N$ Million	Change in N$ Million		% Change	
	Outstanding	MoM	YoY	MoM	YoY
Individuals	**59,142.1**	**206.9**	**3,989.9**	**0.4**	**7.2**
- Mortgage Loans	40,398.3	229.3	2,252.2	0.6	5.9
- Other Advances & Loans	7,685.7	37.4	1,645.0	0.5	27.2
- Overdraft	2,833.4	-28.9	355.6	-1.0	14.3
- Installment Credit	6,602.9	-25.4	-333.7	-0.4	-4.8
Businesses	**43,592.6**	**-326.3**	**1,916.6**	**-0.7**	**4.6**
Total PSCE	**103,649.1**	**-130.5**	**5,671.6**	**-0.1**	**5.8**

Growth in credit extended to the private sector moved down in the month of March 2020 with YoY growth of 5.8%, 10 bps lower than was experienced in February. This resulted in MoM and YoY extensions of -N$130.5 million and N$5.7 billion, respectively, to an outstanding amount of N$103.7 billion. Extension growth to businesses slowed significantly over the month moving down 80 bps to 4.6% whereas extension growth to individuals moved up 50 bps to 7.2%. Non-resident extension growth continued to act as a drag on growth, falling -20.4% annually to N$914 million.

Individuals

Credit extended to individuals grew by 7.2% annually, or N$4.0 billion, an increase of 0.5 percentage points as compared to the previous month. Credit extensions to individuals experienced MoM growth of 0.35%. This resulted in an outstanding amount of N$59.1 billion in credit to individuals.

Mortgage extension growth ticked up with extension growth of 5.9%, 0.2 percentage points higher than was experienced in February 2020. The uptick is welcomed, in consideration of the continued downward trend, however mortgage extensions are currently 0.8 percentage points below the 12-month average and are unlikely to revert to the mean in the short run.

Other loans and advances continued to grow more than 20%, annually, however continued to slow into March moving down by 272 bps, over the month, to 27.2%. Conversely, growth in this line, monthly, amounted to 0.5%. This strong growth is indicative of weak household balance sheets as household indebtedness remains high.

Moreover, growth in overdrafts moved up 2.9 percentage points, as compared to February, amounting to an annual growth of 14.4%. This is the highest observable value since July 2017. This strong growth is a further indication, in the context of the surge in other loans and advances, of strained households using short-term facilities to fund their expenditure for extended periods of time.

Instalment credit continued to post negative growth for the 32nd consecutive month, with annual growth of -4.8%.

Businesses

Growth in credit extended to businesses moved down for the second consecutive month into March, on an annual basis, slowing a further 0.8 percentage points – the lowest growth since July 2018. This translated into monthly and annual extension growth figures of -0.7% and 4.6%, respectively, with outstanding extensions of N$43.6 billion to businesses, an annual increase of N$1.9 billion.

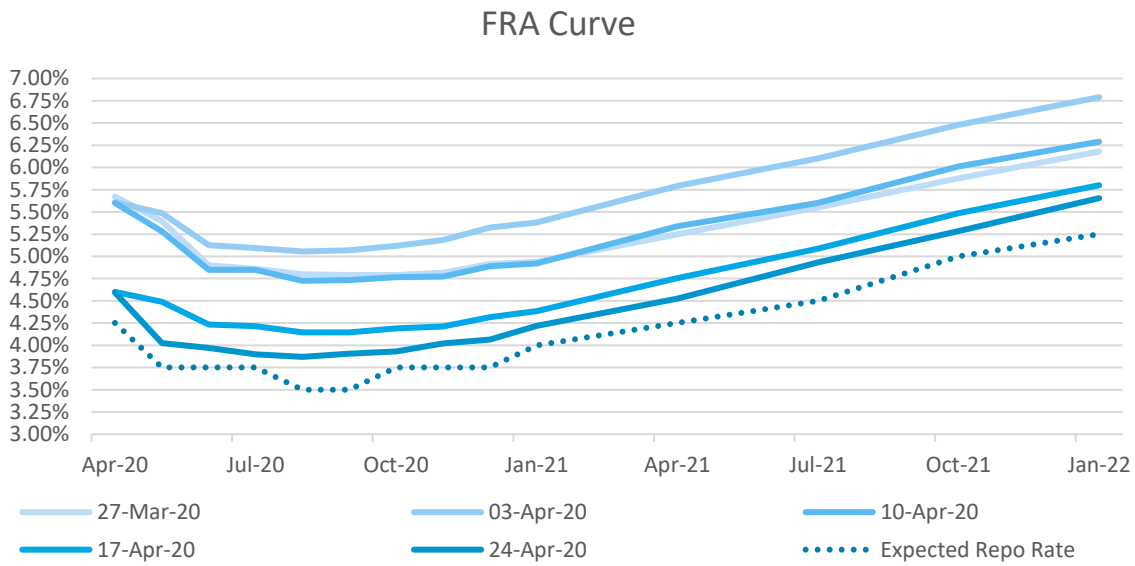
The slowing in growth was largely due to net repayments in large short-term debt facilities utilized by businesses in the previous month. Growth in other loans and advances moved down further into March with monthly contraction of 0.8% - a N$64 million net repayment of other loans and advances. On an annual basis, growth moved below 20% at 17.4% clearly indicative of strained balance sheets of businesses.

Moreover, overdraft facilities saw net repayments on both a monthly and annual basis with contractions of 3.9% and 1.1%, respectively. This amounted to total overdraft extensions of N$9.9 billion in March 2020.

Finally, other claims still saw significant growth on an annual basis of 15.1% to N$8.5 billion and continues to play a more significant factor in overall extensions to business at approximately 20% of total extensions to businesses.

Interest Rates

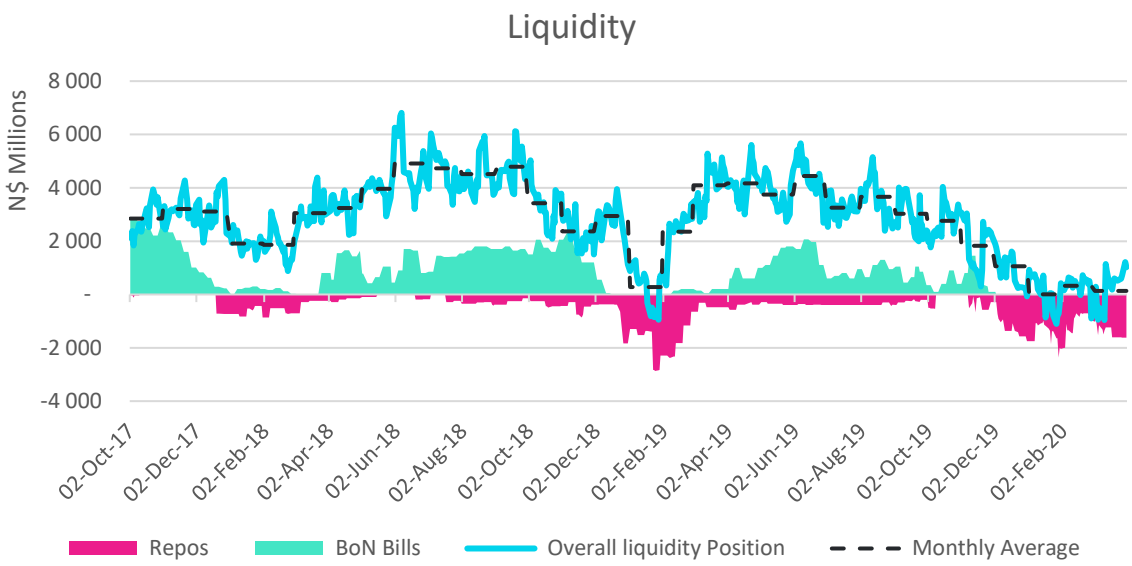
On 14 April 2020, the South African Reserve Bank (SARB) cut their repo rate by 100 basis points to 4.25%. This move was mimicked by the Bank of Namibia (BoN) the day after as the country cut interest rates to the lowest observable level in her independent history.



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As countries continue to combat the effects of the Covid-19 pandemic we expect interest rates to remain low for the year and this also anticipated by the market as the FRA curve indicates that there will be a further 75 bps points reduction in the repo rate, in a serious of moves, expected by the October 2020.

Liquidity

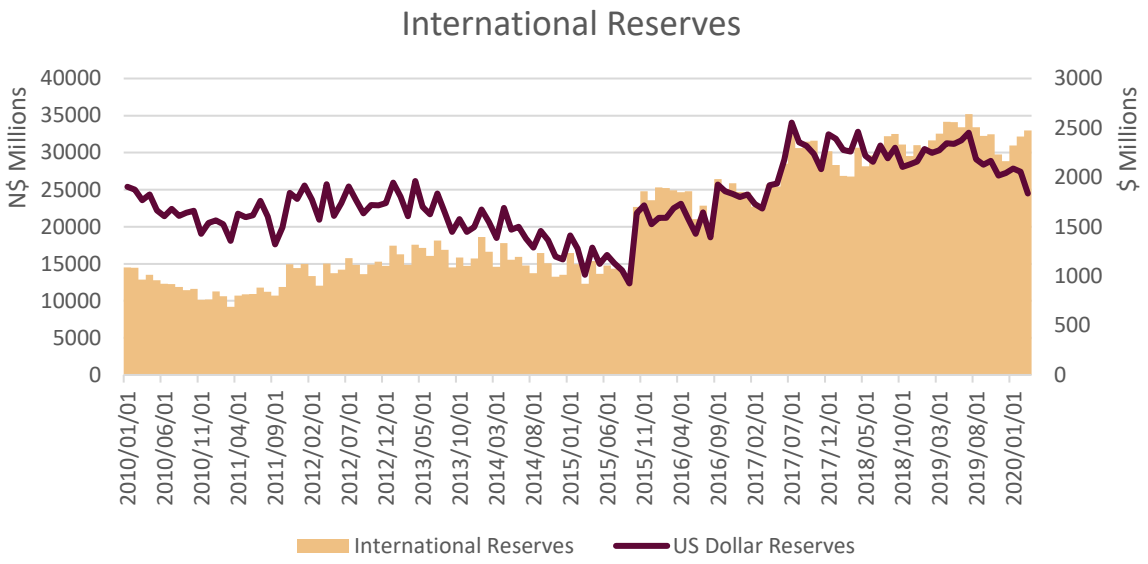


Liquidity decreased into March averaging N$132 million as compared to N$323 million in the prior month. Liquidity remained in negative territory for the first third of the month. The prolonged depressed levels of liquidity reflect a change in the bank's asset management as they opted in investing in liquid assets (government debt instruments) as opposed to extending credit into the current weak domestic economic environment.

International Reserves

Foreign reserves continued to improve into March climbing for third consecutive month. This represented a value increase of N$805 million (2.5%) on a monthly basis and amounted to N$33.0 billion. Reserves also grew on an annual basis moving up 1.2% as compared to March 2019. BoN attributed the growth to favourable exchange rate during the period under review. During this period the ZAR continued to depreciate relative to the USD for the third consecutive month. This led to a drastic decrease in reserves, in USD terms. Over the month,

reserves in hard currency terms (USD), decreased 10.7%, the largest month-on-month decrease since August 2019.



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