

Money and Banking Statistics

01 Oct '20

September 2020

Private sector credit extension growth slowed in September, growing by 1.5% annually, moving down 0.8 percentage points from the growth in August. Total outstanding private sector credit currently stands at N\$102.9 billion.

Private Sector Credit Extension

	Outstanding amount (N\$'m)	M/m (N\$'m)	M/m (%)	Y/y (N\$'m)	Y/y (%)
Total Claims on the Private Sector	102,880.2	-106.9	-0.1	1,482.9	1.5
<i>Other financial corporations</i>	5,661.8	215.0	3.9	-157.3	-2.7
Other nonfinancial corporations (Businesses)	42,914.4	-331.1	-0.8	-943.7	-2.2
Loans and Advances	39,372.1	-238.4	-0.6	-287.3	-0.7
<i>Mortgage Loans</i>	12,380.7	-119.9	-1.0	-1,211.5	-8.9
<i>Other Loans & Advances</i>	16,410.9	-118.2	-0.7	542.4	3.4
<i>Overdraft</i>	10,580.5	-0.4	0.0	381.8	3.7
Instalment and Leasing	3,542.3	-92.7	-2.5	-656.4	-15.6
Other resident sectors (Households)	59,338.3	283.3	0.5	2,798.9	5.0
Loans and Advances	52,979.3	284.6	0.5	3,144.6	6.3
<i>Mortgage Loans</i>	41,096.8	139.2	0.3	1,875.5	4.8
<i>Other Loans & Advances</i>	9,582.4	128.8	1.4	1,177.3	14.0
<i>Overdrafts</i>	2,300.2	16.5	0.7	91.8	4.2
Instalment and Leasing	6,358.8	-1.2	0.0	-345.7	-5.2
Non-resident private sector	627.5	-59.2	8.6	-372.2	-37.2

Source: Bank of Namibia

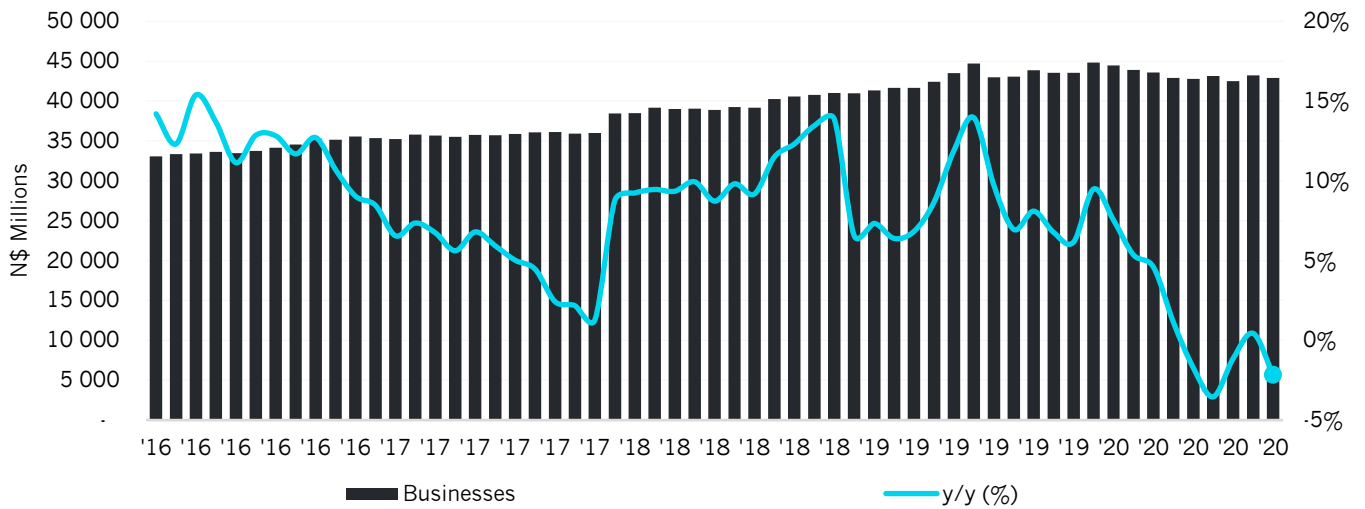
Credit extended to the private sector slowed in Sep '20, with growth of 1.8% y/y compared to 2.2% y/y in Aug '20. However, if credit extended to non-residents is included, overall PSCE growth comes in at 1.5% - further below September's inflation rate of 2.4%. Under this broader definition, credit extended increased by N\$1.5bn y/y and fell N\$106.9 m/m. This growth in credit extended is the lowest on our records dating back to 2003. Moreover, this negative real extension is indicative of our current recession being further motivated by balance sheet deleveraging.

Credit extended to businesses decreased significantly, contracting 2.2% y/y (-N\$943.7m) and 0.8% m/m (-N\$238.4m) - moving back into the three-month contractionary pattern experienced before August. Households saw stronger credit extension growth of 5.0% y/y (N\$2.8bn). Furthermore, it moved up slightly over the month increasing by 0.5% (N\$283.3m). In recent months, credit extension growth has been driven by businesses rather than households, with the September data showing an inversion of this pattern. The non-resident sector, an insignificant portion of overall PSCE, continued to act as a drag on growth with a contraction of 37.2% y/y (-N\$372.2m) and 8.6% m/m (-N\$59.2m).

Growth in credit extension remains very weak despite the low interest rate environment. We believe this slowing growth is not so much driven by weak demand, but rather weak tangible demand and increased caution exercised by lenders resulting in lower supply. The latter is understandable, given that low administered rates do not accurately price the risk in the Namibian economy.

Business PSCE

Growth is weak, moderated by large mortgage repayments/impairments in '20



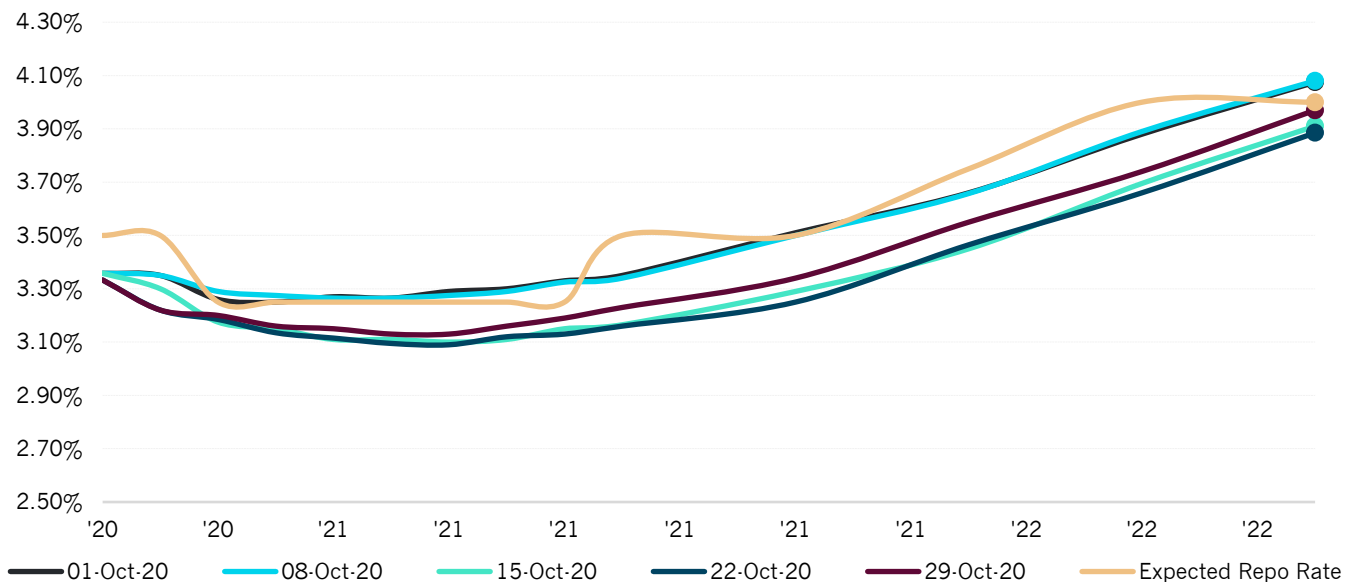
Source: Bank of Namibia, Cirrus Securities

Interest Rates

The Bank of Namibia's Monetary Policy Committee met in October, announcing no change to the repo rate. Namibia thus maintains its 25bps spread over South Africa, with the repo in Namibia being 3.75%. Moving forward, the South African FRA curve expects another 25bps point cut by the end of the year, which would further increase the spread between the two countries. We maintain that a spread should be maintained for the foreseeable future, as any mismatch in the repo spread theoretically motivates financial flows into Namibia, especially at higher spread levels, and may help bolster our reserve position.

FRA Curve

Another rate cut is expected in South Africa by the end of the year

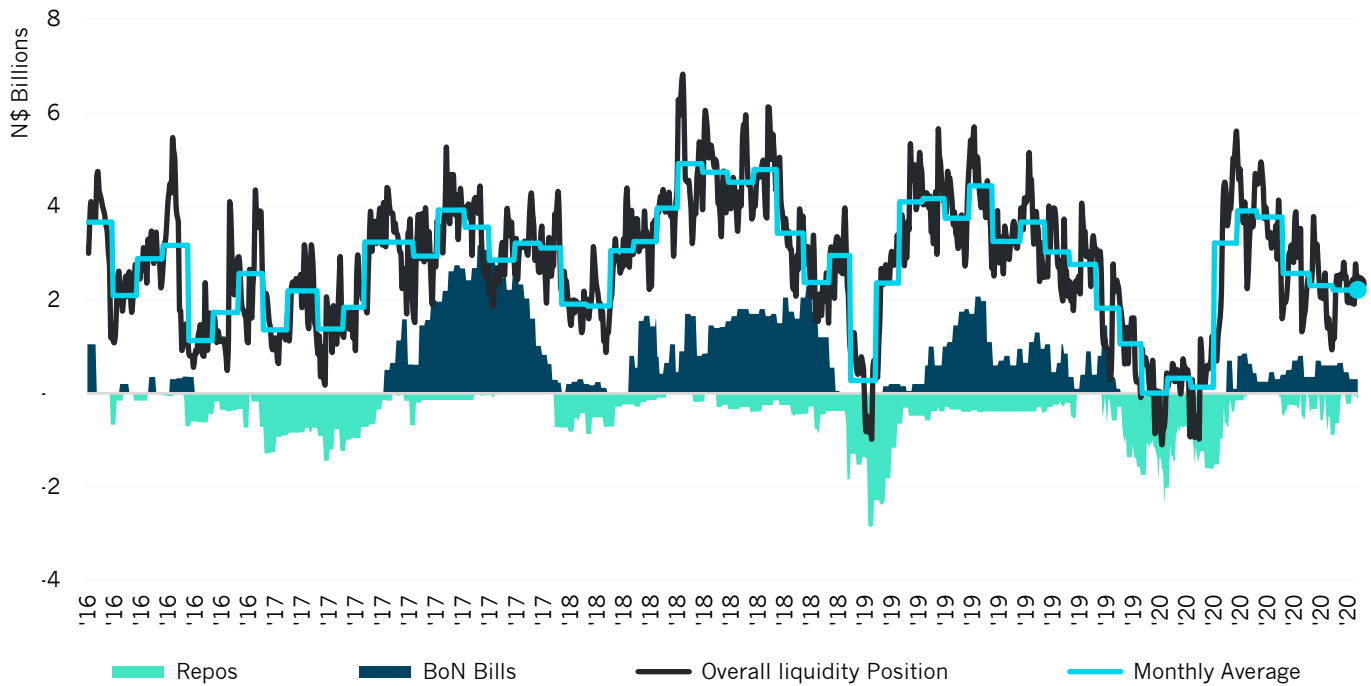


Source: Bloomberg, Cirrus Securities

Liquidity

Average banking sector liquidity decreased further into September, down to N\$2.2bn – a decrease of about N\$94.7m compared to August. The relatively stable average balances reflected the two opposing effects of higher government payments partially offset by an increase in South African Rand currency outflows during the period under review.

Liquidity



Source: Bloomberg, Cirrus Securities

International Reserves and Claims on Central Government

Foreign reserves declined in September, falling 2.2% to N\$32.7bn (July: N\$33.4bn). The decline is attributed mainly due to higher government foreign payments, coupled with an increase in commercial bank outflows during the period under review.

The central government's bank balance decreased by N\$2.6bn in September. Government made several payments foreign payments in September which were coupled with an increase in commercial banks outflows during the period under review.

DISCLAIMER

This publication has been issued by Cirrus Securities (Pty) Ltd (“**Cirrus**”). It is confidential and issued for the information of Cirrus’ clients only. It shall not be reproduced in whole or in part without Cirrus’ written permission. Any unauthorized use, duplication, redistribution or disclosure is prohibited by law. The information contained herein has been obtained from sources which and persons whom Cirrus believes to be reliable but is not guaranteed for accuracy, completeness or otherwise. Any views reflect the current views of Cirrus. All opinions expressed and recommendations made, are as of the date of this publication and are subject to change without notice.

Cirrus provides this publication for information purposes only and this publication is not to be construed as providing investment services in any jurisdiction where the provision of such services is not permitted. No information contained herein, no opinion expressed, and no recommendation made constitutes a representation by Cirrus or a solicitation for the purchase of securities mentioned herein and Cirrus has no responsibility whatsoever arising here from or in consequence hereof.

This publication does not attempt to identify the nature of the specific market or other risks associated with an investment. Cirrus confirms that this publication does not constitute investment advice and that it does not act as an investment advisor to its clients. Securities or financial instruments mentioned herein may not be suitable for all investors and investors must make their own investment decisions using their own independent advisors as they believe necessary and based upon their specific financial situations and investment objectives. A security’s or a firm’s past investment performance is not a guarantee or predictor of future investment performance.

Cirrus and/or its employees may from time to time own securities mentioned herein.

ANALYST CERTIFICATION

The research analyst who prepared this report certifies that the view expressed in the report accurately reflect the research analyst’s personal views about any or all of the subject securities and issuers and that no part of his/her compensation was, is or will be directly or indirectly related to specific recommendations or views contained in this report.

LEGAL ENTITIES INVOLVED IN PRODUCING CIRRUS RESEARCH

Cirrus Capital (Pty) Ltd