

Money and Banking Statistics

01 Dec '20

October 2020

Private sector credit extension growth slowed in October to 1.0% annually, moving down 0.5 percentage points from the growth in September, as reported by the Bank of Namibia. Total outstanding private sector credit currently stands at N\$103.0 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	102,951.8	-71.6	0.1	1,044.5	1.0
<i>Other financial corporations</i>	5,621.5	-40.3	-0.7	-804.8	-12.5
Other nonfinancial corporations (Businesses)	42,561.2	-353.2	-0.8	-975.0	-2.2
Loans and Advances	39,073.6	-298.5	-0.8	-277.1	-0.7
<i>Mortgage Loans</i>	12,276.3	-104.4	-0.8	-1,036.2	-7.8
<i>Other Loans & Advances</i>	16,495.9	-85.0	0.5	497.7	3.1
<i>Overdraft</i>	10,301.4	-279.1	-2.6	261.4	2.6
Instalment and Leasing	3,487.6	-54.7	-1.5	-697.9	-16.7
Other resident sectors (Households)	59,760.0	421.7	0.7	2,388.8	4.2
Loans and Advances	52,760.0	412.2	0.8	2,745.0	5.4
<i>Mortgage Loans</i>	41,378.3	281.4	0.7	1,703.0	4.3
<i>Other Loans & Advances</i>	9,688.1	105.7	1.1	961.6	11.0
<i>Overdrafts</i>	2,325.3	25.1	1.1	80.4	3.6
Instalment and Leasing	6,368.3	9.5	0.1	-356.2	-5.3
Non-resident private sector	630.6	3.1	0.5	-369.4	-36.9

Source: Bank of Namibia

Credit extension growth to the private sector decreased in Oct '20, with growth of 1.4% y/y compared to 1.8% y/y in Sep '20. However, if credit extended to non-residents is included, overall PSCE growth comes in at 1.0% - significantly lower than the 2.3% print for inflation over the same period. Under this broader definition, credit extended increased by N\$1.0 billion y/y and - N\$71.6 million m/m. This growth in credit extended is the slowest 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 remained in negative territory with growth of -2.2% y/y (-N\$975.0m), and -0.8% m/m (-N\$353.2m). Households' credit extension growth slowed over the month with growth of 4.2% y/y (N\$2.4bn). Furthermore, growth ticked up slightly over the month increasing by 0.7% (N\$421.7m). The non-resident sector, an insignificant portion of the overall figure, continued to act as a drag on growth with a contraction of 36.9% y/y (-N\$369.4m) and growth of 0.5% m/m (N\$3.1m).

Growth in credit extension remains very weak despite the low interest rate environment. This is less the result of weak demand, but rather of weak tangible demand and increased caution exercised by lenders. The latter is understandable, given that low administered rates do not accurately price the risk inherent in the Namibian economy.

Individuals

Credit extended to individuals moved down in October to 4.2% from 5.2% in September. This was due to a slowdown in lending growth across all lines, especially mortgages which decreased by 0.5 percentage points to 4.3%. Moreover, there was a significant slowdown in lending growth in short-term credit facilities which have been a primary motivator for growth over the year as households continue to face troubling times. Overdrafts increased by 3.6% (N\$80.4m), down 0.6 percentage points from the previous month, and other loans and advances (typically personal loans, credit card debt, and similar) grew by 11.0%, or N\$961m.

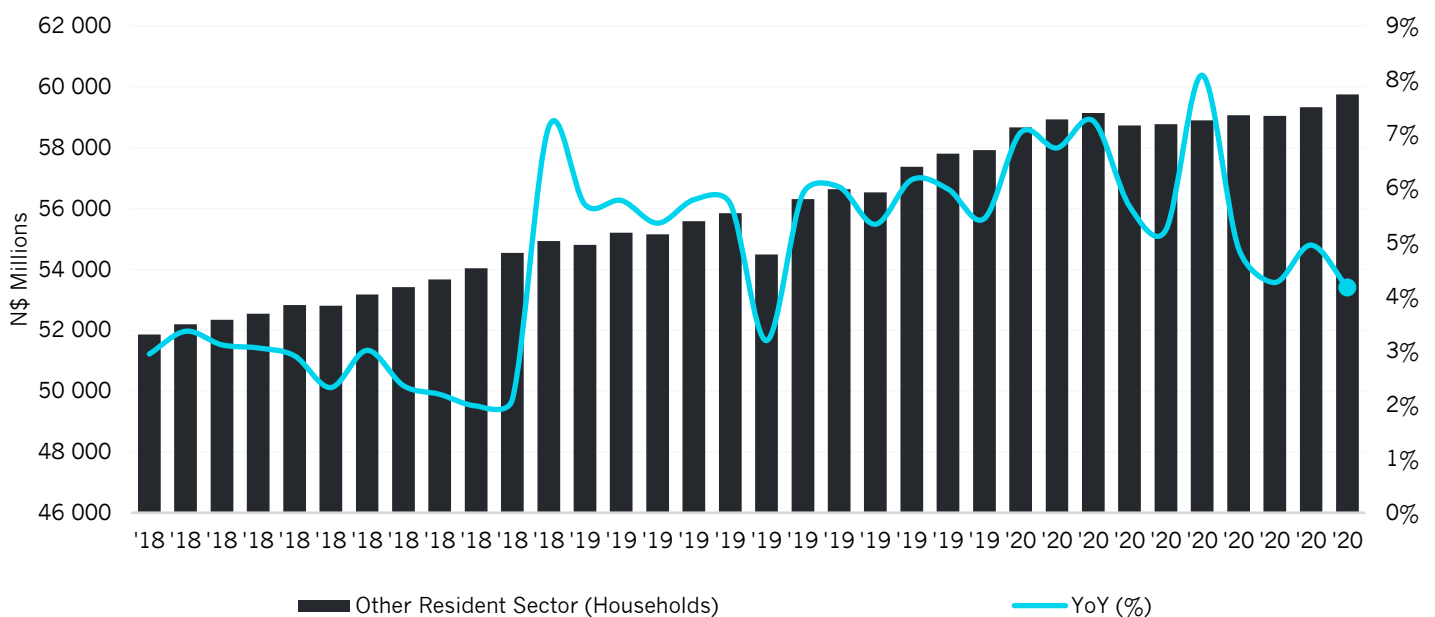
Growth in other loans and advances has remained elevated with double-digit growth. However, net repayments have been made on a monthly basis since April this year, although this trend has stopped over the past two consecutive months. Over the month other loans and advances grew by 1.1%. The extreme reliance on short-term debt facilities is worrying, particularly given the duress household incomes have come under this year.

Mortgage loan extension growth slowed to 4.3%. Because this line accounts for 69.3% of total extensions, it is the primary driver of growth in credit extension. However, we maintain that very little of this growth is organic. Rather, given the prevailing economic conditions, we believe that much of the growth captured here is due to existing loans being restructured.

Finally, instalment credit and leasing continued to post negative growth for the 36th consecutive month, with annual growth of -5.3%.

Household PSCE

Slowing in household extension growth over the month



Source: Bank of Namibia, Cirrus Securities

Businesses

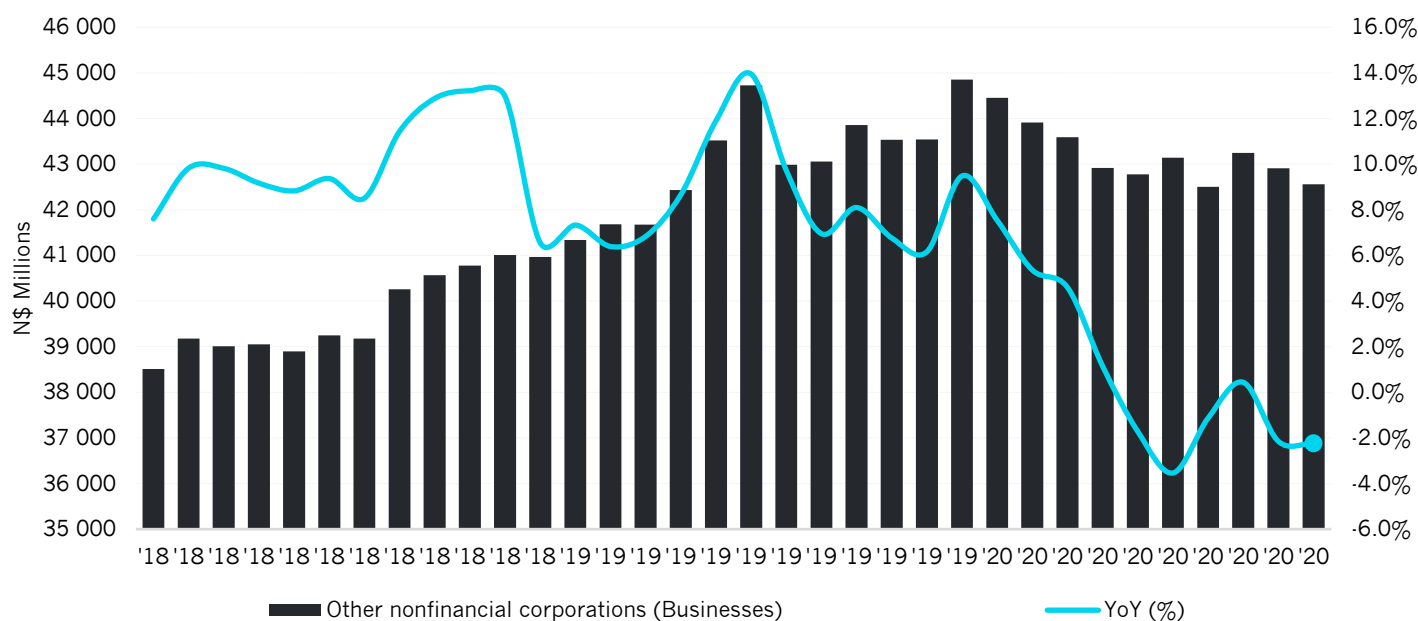
Credit extension growth to businesses remained in negative territory with growth rates of -2.2% y/y and -0.8% m/m. As a result, growth in credit extended to business has remained largely negative over the year. Mortgages, and instalment and leasing credit saw negative annual growth of 7.8% and 16.7%, respectively. This is indicative of businesses continuing to deleverage their balance sheets during difficult times.

Furthermore, short-term debt facilities continue to be utilised by businesses, albeit at a lower rate, with growth in overdrafts and other loans & advance of 3.7% and 3.4%, respectively. Strong reliance on these facilities in the current environment is understandable yet worrying, as the initial supply shock and latent demand shock mean the operating environment will remain suppressed.

Finally, businesses have been net repayers of instalment credit. The outstanding value of business instalment and leasing loans fell 16.7% y/y, as N\$697.9m in net repayments/delinquencies were observed in October.

Business PSCE

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



Source: Bank of Namibia, Cirrus Securities

Interest Rates

The South African Reserve Bank's Monetary Policy Committee met on 19 November 2020 and announced that there would be 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 Bank of Namibia is set to announce its monetary policy decision on 09 December 2020. We maintain that a spread should be maintained for the foreseeable future as any deviation to the upside motivates financial flows into Namibia, especially at higher spread levels, and may help bolster our reserve position.

Liquidity

Average banking sector liquidity rebounded into October moving up 40.9% to N\$3.1bn – an increase of about N\$900.0m compared to September. The improved liquidity position is as a result of export sales of diamonds, increased government expenditure witnessed over the period, and coupon payments on government bonds to the value of N\$794 million.

International Reserves and Claims on Central Government

Foreign reserves improved in October, moving up 5.2% to N\$34.4bn (September: N\$32.6bn). The increase is mainly attributed to the increase in SACU inflows. These inflows naturally saw the governments cash balance improve over the period. The central government's balance bank balance increased by N\$1.8bn in October 2020.

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