

Money and Banking Statistics

04 Jan '21

November 2020

Private sector credit extension growth in November moved up to 2.3% annually, moving up 1.3 percentage points from the growth in October, as reported by the Bank of Namibia. Total outstanding private sector credit currently stands at N\$104.7 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	104,675.7	1,090.0	1.1	2,368.2	2.3
<i>Other financial corporations</i>	<i>5,171.1</i>	<i>192.6</i>	<i>3.9</i>	<i>-1107.5</i>	<i>-17.6</i>
Other nonfinancial corporations (Businesses)	43,861.7	662.5	1.5	321.6	0.7
Loans and Advances	40,417.0	705.3	1.8	1035.3	2.6
<i>Mortgage Loans</i>	<i>12,377.7</i>	<i>101.5</i>	<i>0.8</i>	<i>-967.0</i>	<i>-7.2</i>
<i>Other Loans & Advances</i>	<i>16,949.7</i>	<i>453.8</i>	<i>2.8</i>	<i>558.5</i>	<i>3.4</i>
<i>Overdraft</i>	<i>11,089.5</i>	<i>788.1</i>	<i>7.7</i>	<i>1443.9</i>	<i>15.0</i>
Instalment and Leasing	3,444.8	-42.9	-1.2	-713.7	-17.2
Other resident sectors (Households)	60,190.4	430.4	0.7	2,384.5	4.1
Loans and Advances	53,798.9	407.2	0.8	2,655.0	5.2
<i>Mortgage Loans</i>	<i>41,608.0</i>	<i>171.4</i>	<i>0.4</i>	<i>1,740.4</i>	<i>4.4</i>
<i>Other Loans & Advances</i>	<i>9,730.4</i>	<i>49.3</i>	<i>0.5</i>	<i>703.4</i>	<i>7.8</i>
<i>Overdrafts</i>	<i>2,460.5</i>	<i>135.2</i>	<i>5.8</i>	<i>211.2</i>	<i>9.4</i>
Instalment and Leasing	6,391.5	23.2	0.4	-270.6	-4.1
Non-resident private sector	623.4	-2.8	-0.5	-337.8	-35.1

Source: Bank of Namibia

Credit extension growth to the private sector increased in Nov '20, with growth of 2.7% y/y compared to 1.0% y/y in Oct '20. However, if credit extended to non-residents is included, overall PSCE growth comes in at 2.3%. Under this broader definition, credit extended increased by N\$2.4 billion y/y and N\$1.1 billion m/m.

Credit extension growth to businesses moved into positive territory, for the first time since Apr '20, with growth of 0.7% y/y (N\$321.6m), and 1.5% m/m (N\$662.5m). Households' credit extension growth slowed for a second consecutive month with growth of 4.1% y/y (N\$2.4bn). Furthermore, growth slowed over the month increasing by 0.7% (N\$430.4m). The non-resident sector, an insignificant portion of the overall figure, continued to act as a drag on growth with a contraction of -35.1% y/y (-N\$337.8m) and growth of -2.8% m/m (-N\$2.8m).

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. Moreover, given the impairments/write-offs to banks assets and net repayments observed over the period PSCE growth is expected to remain low for the remainder of the year.

Individuals

Credit extended to individuals moved down in November to 4.1% from 4.2% in October. This was largely driven by a slowdown in lending growth in other loans and advances which moved into single digit growth territory for the first time since February 2012. Other loans and advances to households grew by 7.8% (N\$703.4m) in November.

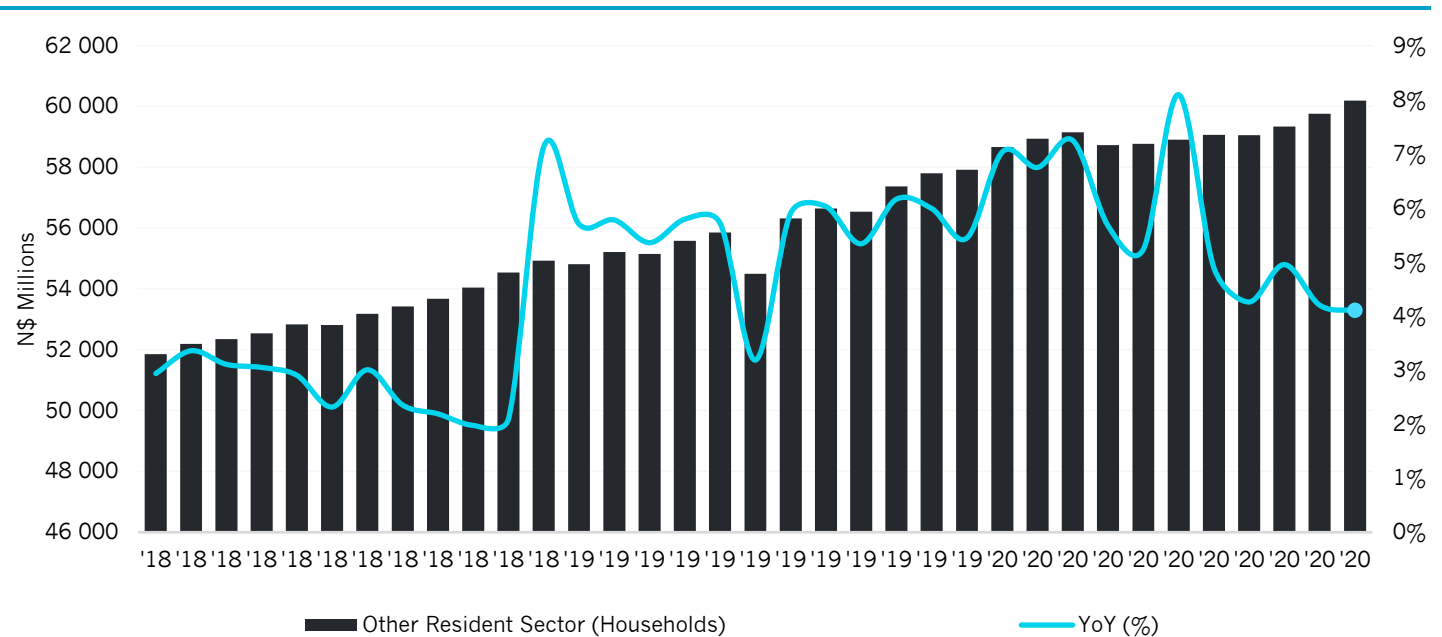
Conversely, there was a significant uptick in lending growth in overdrafts which have been a primary motivator for growth over the year as households continue to face troubling times. Overdraft growth increased by 9.4% (N\$211.2m), up 5.8 percentage points from the previous month. The extreme reliance on short-term debt facilities is worrying, particularly given the duress household incomes have come under this year.

Mortgage loan extension growth remained at 4.4%. 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 37th consecutive month, with annual growth of -4.1%.

Household PSCE

Slowing in household extension growth over the month



Source: Bank of Namibia, Cirrus Securities

Businesses

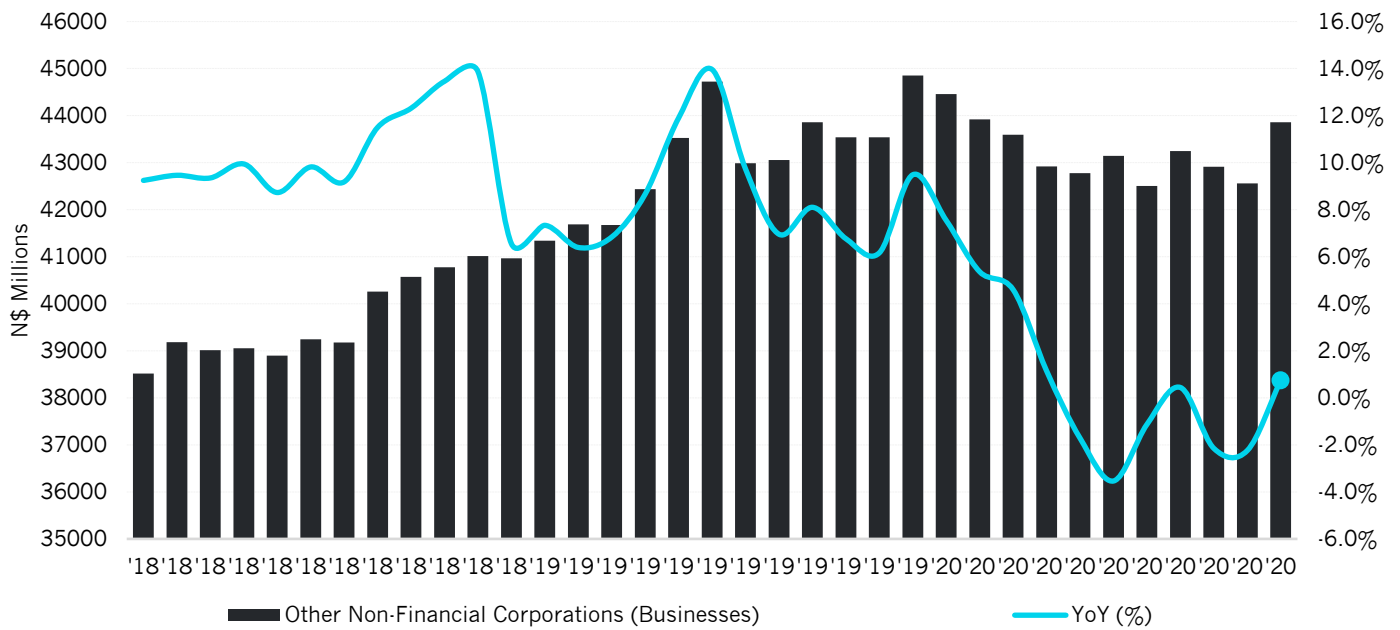
Credit extension growth to businesses moved into positive territory with growth rates of 0.7% y/y and 1.1% m/m. However, mortgages, and instalment and leasing credit continued to see negative annual growth of 7.2% and 17.2%, respectively. This is indicative of businesses continuing to deleverage their balance sheets during difficult times.

Furthermore, short-term debt facilities continue to be utilised by businesses at a significantly higher rate as compared to October, with growth in overdrafts and other loans & advances of 15.0% 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 17.2% y/y, as N\$713.7m in net repayments/delinquencies were observed in November.

Business PSCE

Growth rebounded into positive territory for the first time since Apr '20



Source: Bank of Namibia, Cirrus Securities

Interest Rates

The Bank of Namibia's Monetary Policy Committee met on 9 December 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%. 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 moved down 25.8% to N\$2.3bn – a decrease of about N\$800.0m compared to October. The decreased liquidity position is as a result of cross-border transfers, funds mainly designated for investments. Moving forward, this liquidity position is expected to remain subdued over the prevailing months.

International Reserves and Claims on Central Government

Foreign reserves decreased in November, moving down 11.2% to N\$30.5bn (October: N\$34.4bn). BoN attributed the decrease to net government payments, commercial banks foreign currency purchases and exchange rate revaluations during the period under review. These payments naturally saw the governments cash balance worsen over the period. The central government's balance at the central bank decreased by N\$1.7bn in November 2020 to N\$4.3bn.

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