

Money and Banking Statistics

01 Feb '21

December 2020

Private sector credit extension increased by 1.4%, annually, in December – moving down 0.9 percentage points from November, as reported by the Bank of Namibia. This brings the annual average to 3.1%. Total outstanding private sector credit currently stands at N\$105.4 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	105,379.8	277.2	0.3	1,640.7	1.4
<i>Other financial corporations</i>	4 761.6	-295.0	-5.8	-801.1	-14.4
Other nonfinancial corporations (Businesses)	44 306.8	76.0	0.2	-546.0	-1.2
Loans and Advances	40,789.4	64.3	0.2	115.2	0.3
<i>Mortgage Loans</i>	12,363.5	-14.3	-0.1	-1,172.1	-8.7
<i>Other Loans & Advances</i>	17,033.2	-34.0	-0.2	14.1	0.1
<i>Overdraft</i>	11,392.7	112.5	1.0	1,273.2	12.6
Instalment and Leasing	3,444.8	11.8	0.3	-661.2	-15.8
Other resident sectors (Households)	60,522.3	274.1	0.5	2,601.4	4.5
Loans and Advances	54,035.3	186.0	0.3	2,773.2	5.4
<i>Mortgage Loans</i>	41,876.2	219.0	0.5	2,057.4	5.2
<i>Other Loans & Advances</i>	9,708.2	-29.2	-0.3	520.8	5.7
<i>Overdrafts</i>	2,450.9	-3.7	-0.2	194.9	8.6
Instalment and Leasing	6,487.0	88.0	1.4	-171.8	-2.6
Non-resident private sector	550.6	-66.2	-10.7	-414.7	-43.0

Source: Bank of Namibia

Growth in credit extended to the private sector slowed in Dec '20, with growth of 2.0% y/y compared to 3.1% y/y in Nov '20, bringing the annual average to 3.1%. However, if credit extended to non-residents is included, overall PSCE growth comes in at 1.4%. Under this broader definition, credit extended increased by N\$1.6 billion y/y and N\$277 million m/m.

Credit extension growth to businesses moved back into negative territory, continuing its negative downward trend in the two months before November. As a result, credit extended to business reported negative growth for half of the year. PSCE growth to businesses amounted to -1.2% y/y (-N\$546.0m) and 0.2% m/m (N\$76.0m) in December. Households' credit extension growth ticked up with growth of 4.5 y/y (N\$2.6bn), however slowed m/m with growth of just 0.5% (N\$274.1m). The non-resident sector, an insignificant portion of the overall figure, continued to act as a drag on growth with contractions of 43.0% y/y (-N\$414.7m) 10.7% m/m (-N\$66.2m).

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, as the property market continues to come under severe stress and low deflationary pressure, mortgage extension growth is expected to remain low for the year, weighing down on half of overall extensions. The increased macroeconomic risk at historically low interest rates, coupled with the duration of credit such as mortgages, mean that there is not an adequate risk-adjusted concern – especially when compared to alternatives such as government debt securities. Finally, given the expectations of more banking impairments net repayments observed in 2021, PSCE growth is expected to remain low for the year.

Individuals

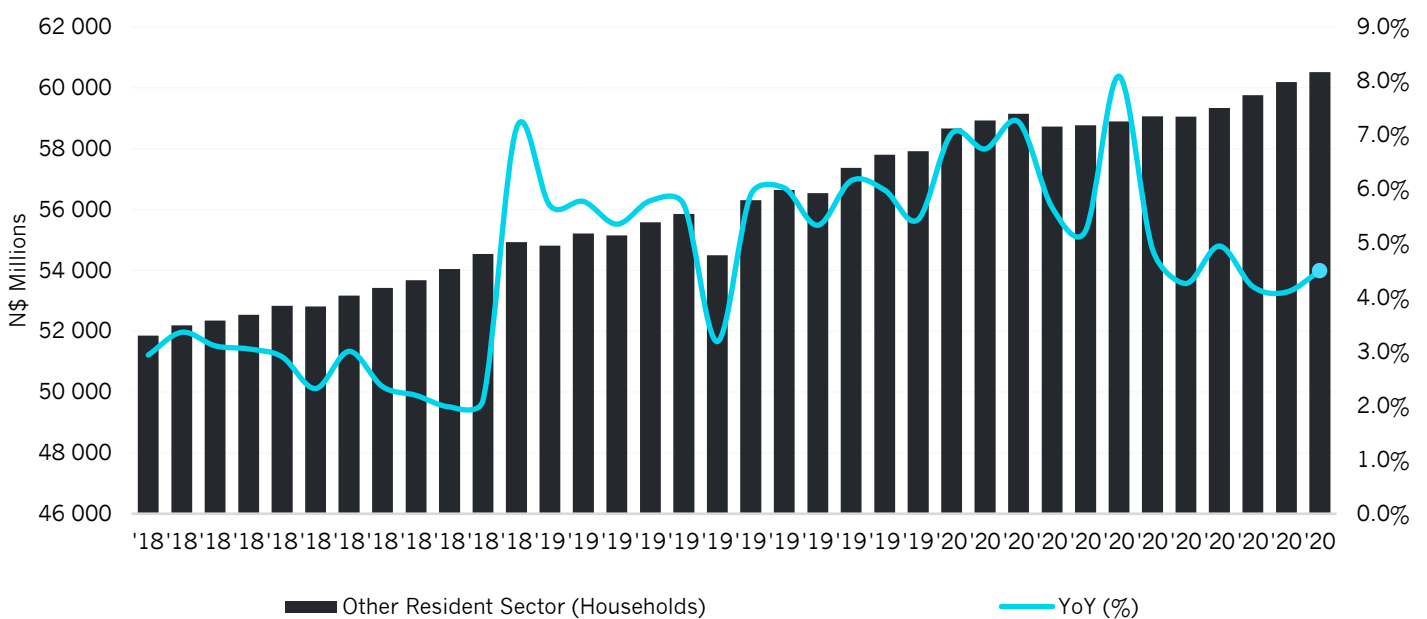
Growth in credit extended to individuals moved up in December to 4.5%, from 4.1% in November. This was largely driven by an uptick in lending growth in mortgage loans, which saw growth of 5.2% y/y from 4.5% in November. Moreover, mortgage loans saw the second largest m/m extensions of the year, amounting to N\$219.0 million – approximately 80% of all credit extended to households that month.

Conversely, there has been a significant slowdown in lending growth in short-term facilities, which were a primary source of growth over the year as household incomes came under further pressure. Overdraft growth increased by 8.6% (N\$211.2m), down 0.5 percentage points from the previous month. Moreover, other loans and advances growth slowed more significantly in December, moving down 2.2 percentage points to 5.7%. Both lines saw net repayments in December, with other loans and advances, and overdrafts, decreasing by 0.3% (-N\$29.2 million) and 0.2% (-N\$3.7 million), respectively. Historically, these facilities have been utilised at an increased rate by households during the festive season, for short-term consumption. However, this slowdown is indicative of overutilisation during the year – given economic pressures experienced over the year.

Finally, instalment credit and leasing posted negative growth for the 38th consecutive month, with annual growth of -2.6%. However, given the rigidly low growth witnessed in the line and the reversing trend of growth, it is expected that the line will enter positive territory this year.

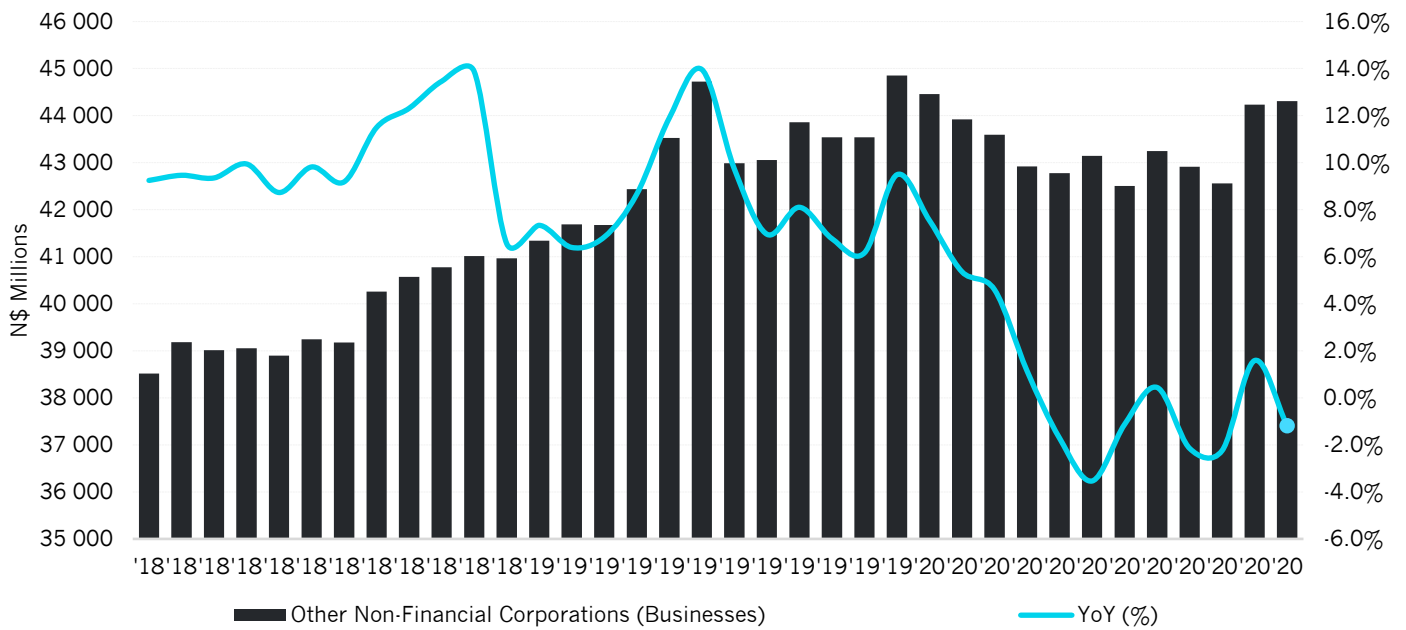
Household PSCE

Slowing in household extension growth over the month



Business PSCE

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



Source: Bank of Namibia, Cirrus Securities

Interest Rates

The South African Reserve Bank's Monetary Policy Committee announced on 21 Jan '21 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%. The Bank of Namibia's Monetary Policy Committee is set to meet on the 17 Feb '21, where we expect no change to the repo rate. We maintain that a spread should be kept for the foreseeable future as any deviation to the upside motivates financial flows into Namibia, especially at higher spreads, and may help bolster our reserve position.

Liquidity

Average banking sector liquidity fell 47.8% to N\$1.2bn – a decrease of about N\$1.1bn compared to November. The decreased mainly due to periodic corporate tax payments to the Government. Moving forward, this liquidity position is expected to remain subdued over the prevailing months.

International Reserves and Central Government Claims at BoN

Foreign reserves increased in December, moving up 4.0% to N\$31.8bn (November: N\$30.5bn). BoN attributed the increase to net inflows of Rand currency from commercial banks during the period under review. The central government's balance at the central bank saw improvements over the month, increasing by N\$777 million to N\$4.8bn.

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