

Money and Banking Statistics

01 Mar '21

January 2021

Total claims on the private sector increased by 1.5% y/y in January, moving down 0.1 percentage points from the Dec '20, as reported by the Bank of Namibia. Credit extended by the commercial banks to the private sector increased 1.8% y/y, resulting in total outstanding private sector credit of N\$105.6 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	105,599.6	224.1	0.2	1,556.0	1.5
Other financial corporations	4,644.5	-117.1	-2.5	-1,205.3	-20.6
Other non-financial corporations (Businesses)	44,884.4	577.5	1.3	428.8	1.0
Loans and Advances	41,313.5	524.1	1.3	951.1	2.4
Mortgage Loans	12,697.5	334.0	2.7	-418.7	-3.2
Other Loans & Advances	16,806.1	-227.1	-1.3	-101.6	-0.6
Overdraft	11,809.9	417.2	3.7	1,471.4	14.2
Instalment and Leasing	3,570.9	53.4	1.5	-522.3	-12.8
Other resident sectors (Households)	60,108.1	-409.9	-0.7	1,440.1	2.5
Loans and Advances	53,708.3	-322.7	-0.6	1,662.0	3.2
Mortgage Loans	41,659.9	-212.2	-0.5	1,456.7	3.6
Other Loans & Advances	9,639.6	-68.4	-0.7	150.3	1.6
Overdrafts	2,408.7	-42.2	-1.7	55.0	2.3
Instalment and Leasing	6,399.8	-87.1	-1.3	-221.8	-3.4
Non-resident private sector	607.1	56.5	10.3	-312.9	-34.0

Source: Bank of Namibia

Credit extension growth to the (resident) private sector slowed in the first month of 2021, with growth of 1.8% y/y compared to 7.6% y/y in January '20. However, if credit extended to non-residents is included, overall PSCE growth comes in at 1.5%. This is 1.1 percentage points lower than January's inflation print. Under this broader definition, credit extended increased by N\$1.6 billion y/y and N\$224 million m/m.

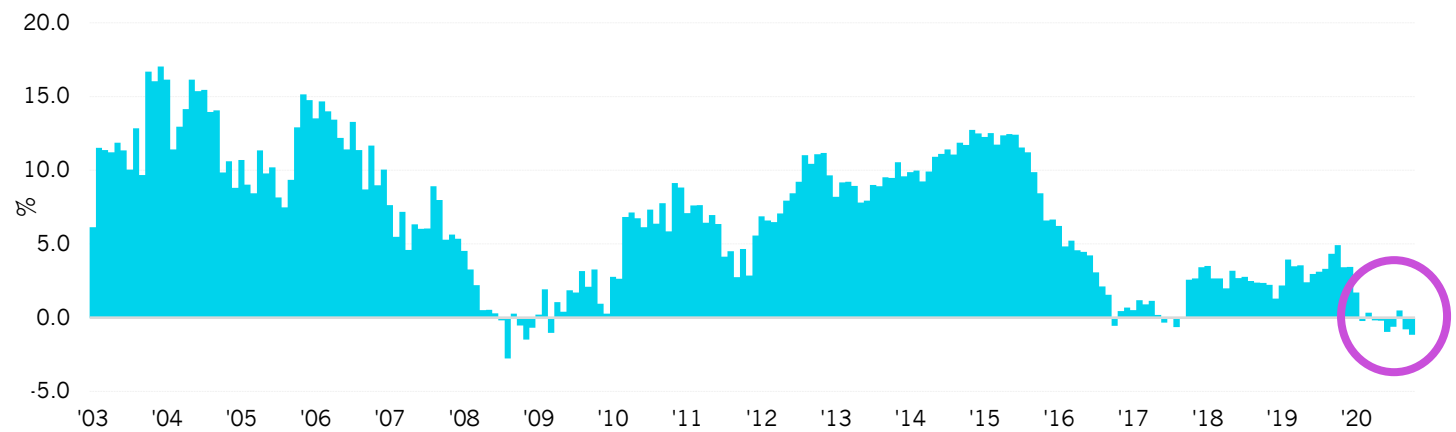
Credit extension growth to businesses returned to positive territory after experiencing half a year of negative growth in 2020. Business extension growth amounted to 1.0% y/y (N\$428.8m), and 1.3% m/m (N\$577.5m). Conversely, households' credit extension growth slowed down to 2.5% y/y (N\$1.4bn). Furthermore, household credit extensions saw net repayments over the month, decreasing by -0.7% (-N\$409.9m) from Dec '20. The non-resident sector, an insignificant portion of the overall figure, continued to act as a drag on growth with a contraction of -34.0% y/y (-N\$312.9m) however grew on a monthly basis by 10.3% (N\$56.5m).

Growth in credit extension remains very weak despite the low interest rate environment. The limited scope of monetary stimulus has not been able to restore tangible demand. Additionally, the economic headwinds and pandemic have resulted in a riskier lending environment. Lenders have therefore also exercised additional caution in credit extension. 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 half of the overall extensions. Finally, given the impairments/write-offs to banks assets and net repayments observed over the period PSCE growth is expected to remain low for 2021.

Over the last ten months real PSCE growth has been largely negative, with seven months reporting negative figures. Moving forward, with elevated inflation expectations and advances remaining subdued, real PSCE is expected to remain subdued over the year. This is largely driven by heightened inflation expectations due to local rental payments inflation and increased global commodity price pressures.

Real PSCE

Real PSCE expected to remain low for the year



Source: Bank of Namibia, Cirrus Securities

Individuals

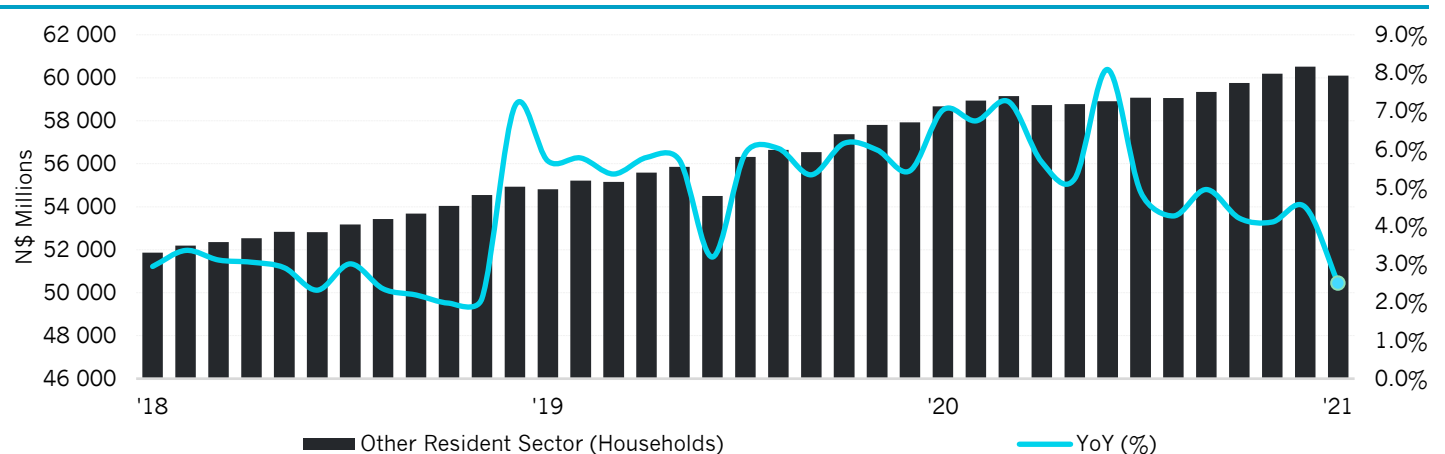
Credit extended to individuals slowed in the first month of 2021, decreasing 2.0 percentage points to 2.5% y/y from 4.5% y/y in December. This was driven by a slowdown in lending growth across all the credit lines. Moreover, all credit extensions lines saw contractions m/m which resulted in growth of -0.7% m/m.

Mortgage loan growth, the largest contributor to advances, fell 1.6 percentage points to 3.6% y/y and reported net repayments m/m (-0.7%). As the property market remains under pressure, growth in this line will remain subdued. Overdrafts increased 2.3%y/y (N\$55.0m), down 6.3 percentage points from the 8.6% y/y growth in Dec '20. Growth in other loans and advances slowed more significantly over the period, decreasing 4.1 percentage points to 1.6% y/y. Both these lines saw net repayments m/m. Other loans and advances reported m/m growth of -0.7% (-N\$68.4 million) and overdrafts m/m growth of -1.7% (-N\$42.2 million). The net repayments m/m are as a result of lower spending activity compared to the festive season, a seasonal trend. The drastic slowdown is, however, indicative of overutilisation during 2020 – given immense economic pressures experienced over the year.

Finally, instalment credit and leasing continued to post negative growth for the 39th consecutive month, with annual growth of -3.4%. 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



Source: Bank of Namibia, Cirrus Securities

Businesses

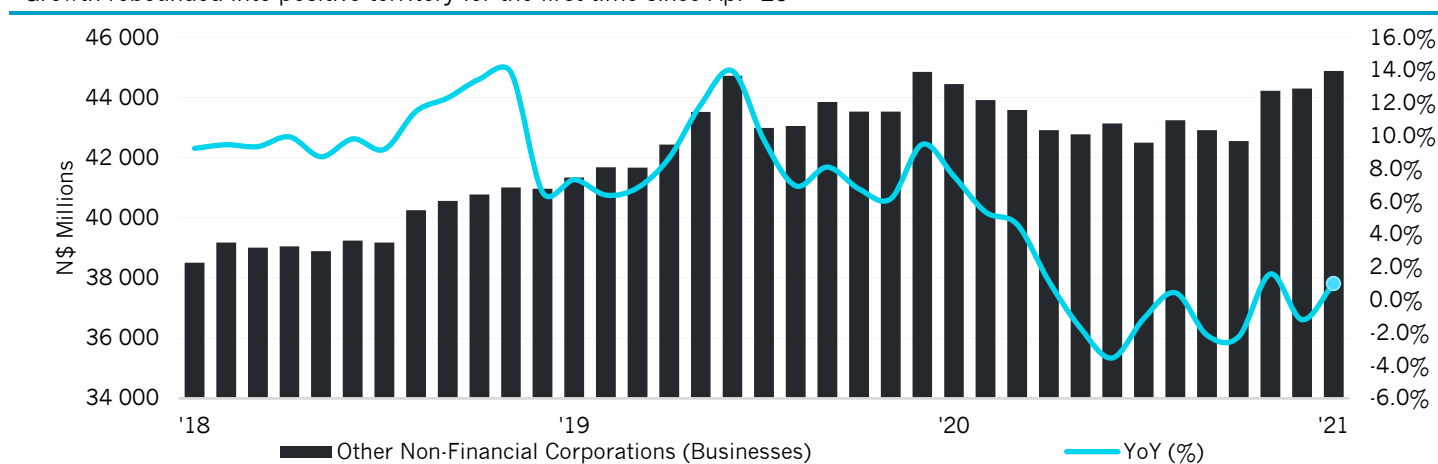
Credit extension growth to businesses returned to positive territory, with growth rates of 1.0% y/y and 1.3% m/m. The outstanding value of business advances amounted to N\$44.8 bn. The largest contributing factor to the rebound was the uptake in overdraft facilities utilised by businesses. Overdrafts grew by 14.2%y/y (N\$428.8 million), or 1.3%m/m (N\$577.5 million). All other business extension lines saw contractions in January, with mortgage loan, other loans & advances, and instalment and leasing reporting annual growth rates of -3.2%, -0.6%, and -12.8%, respectively.

Furthermore, these short-term debt facilities will continue to be utilised by businesses at a significantly higher rate as compared to other line items which is understandable, given the economic environment. This reliance is somewhat concerning, as the initial supply shock and latent demand shock mean the operating environment will remain suppressed, despite the forecasts of a return to economic growth. Additionally, the preference for short-term debt facilities indicates that businesses are not looking to expand, indicative of a subdued investment pipeline from the private sector.

Moving forward, we anticipate businesses some sectors will face challenges accessing financing given the macro environment and sector-specific headwinds. The industries most likely to be affected are tourism and construction.

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 17 Feb '21 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 believe 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 decreased to 39.0% to N\$776.2m – a decrease of about N\$304.1m compared to December. The decreased liquidity position is seasonal as the decline in liquidity is mainly due to periodic corporate tax payments to the Government.

International Reserves and Central Government Claims at BoN

Foreign reserves increased in January, rising 8.3% to N\$34.4bn (January: N\$31.7bn). The increase was largely due to SACU receipts received over the period. As a result, the central government's balance at the central bank saw large improvements m/m, increasing by N\$2.5bn to N\$7.3bn. SACU receipts will decrease materially from April for the FY21/22 financial year.

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