

Money and Banking Statistics

01 Apr '21

February 2021

Private sector credit extension increased by 1.8% y/y in February, moving up 0.3 percentage points from the growth in January, according to the Bank of Namibia. Total outstanding private sector credit currently stands at 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	105,602.8	3.2	0.0	1,823.2	1.8
Other financial corporations	4,612.4	-32.1	-0.7	-1,587.1	-25.6
Other nonfinancial corporations (Businesses)	44,606.2	-278.1	-0.6	687.4	1.6
Loans and Advances	41,076.0	-237.5	-0.6	1,041.5	2.6
Mortgage Loans	12,435.0	-262.5	-2.1	-427.1	-3.3
Other Loans & Advances	17,124.2	318.1	1.9	237.7	1.4
Overdraft	11,516.7	-293.2	-2.5	1,230.8	12.0
Instalment and Leasing	3,530.3	-40.6	-1.1	-354.1	-9.1
Other resident sectors (Households)	60,454.0	345.9	0.6	1,518.7	2.6
Loans and Advances	54,045.4	337.1	0.6	1,791.7	3.4
Mortgage Loans	41,992.4	332.5	0.8	1,823.3	4.5
Other Loans & Advances	9,637.9	-1.6	0.0	-23.9	-0.2
Overdrafts	2,415.0	6.3	0.3	-7.7	-0.3
Instalment and Leasing	6,408.6	8.7	0.1	-273.0	-4.1
Non-resident private sector	542.6	-64.5	-10.6	-382.9	-41.4

Source: Bank of Namibia

Credit extension growth to the private sector moved up marginally in the second month of 2021, with growth of 2.1% y/y compared to 6.1% y/y in Feb '20. However, if credit extended to non-residents is included, overall PSCE growth comes in at 1.8%. This was 0.9 percentage points lower than the inflation print that same month. Under this broader definition, credit extended increased by N\$1.8 billion y/y and a mere N\$3.2 million m/m.

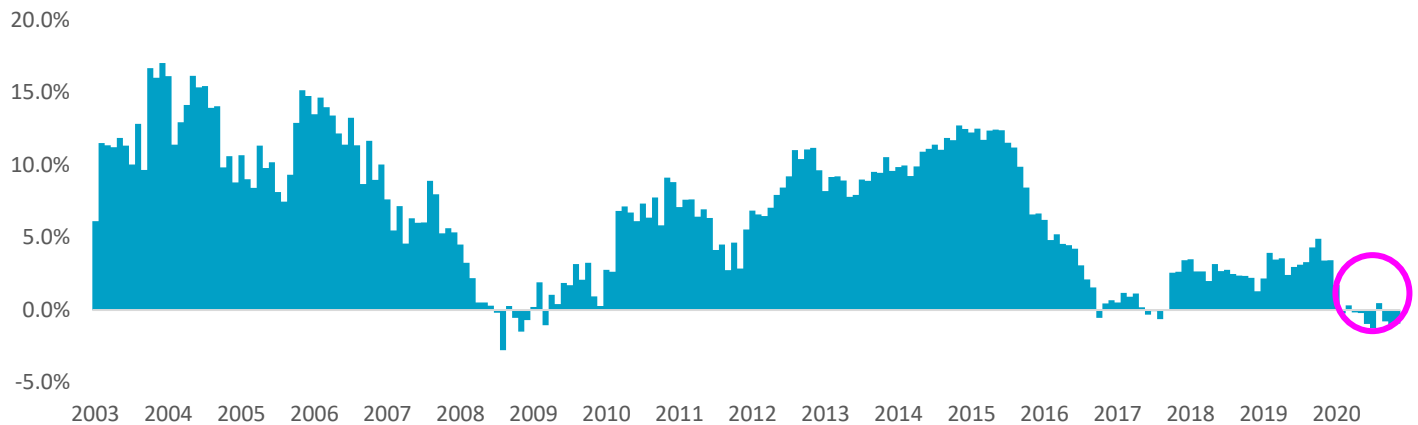
Annual credit extension growth to businesses improved for the second consecutive month after half a year of negative growth in 2020. Business extension growth amounted to 1.6% y/y (N\$687.4m), however contracted 0.6% m/m (-N\$278.1m). Moreover, households' credit extension growth improved into February with growth of 2.6% y/y (N\$1.5bn). Furthermore, household credit extension grew 0.6% (N\$337.1m) m/m. The non-resident sector, an insignificant portion of the overall figure, continued to act as a drag on growth on both an annual and monthly basis, with respective contractions of 41.4% y/y (-N\$382.9m) and 10.6% m/m (-N\$64.5m).

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. Credit extensions will likely rebound as interest rates rebound from these historically low levels.

Real PSCE growth has been largely negative for almost the last year, with eight of the last 11 months recording 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 remains negative in Feb '20 and is expected to remain low for the year



Source: Bank of Namibia, Cirrus Securities

Individuals

Credit extension growth to individuals moved up marginally in Feb '21, growing by 2.6% y/y compared to 2.5% in January. This was primarily driven by increased activity in the mortgage space, as net repayments were observed in short-term loan facilities. Moreover, all credit extension lines saw improvements m/m, resulting in m/m growth of 0.6%.

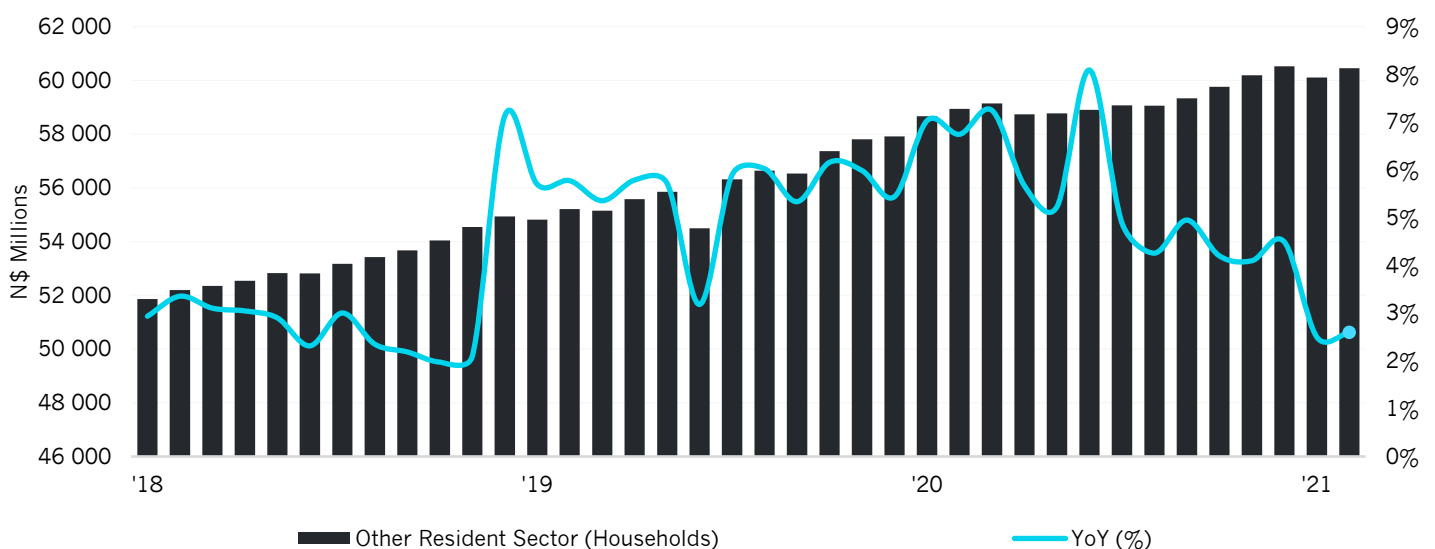
Mortgage loan growth, the largest contributor to advances, moved up by 0.9 percentage points to 4.5% y/y and saw net extensions m/m, growing by 0.8%. The improvement is welcomed, however, this growth is 1.2 percentage points lower than in the comparable period in 2020. As the property market remains under pressure, growth in this line will remain subdued moving forward.

Overdraft growth increased by -0.3% (-N\$7.7m), down 2.7 percentage points from the previous month. This is the first time the line has seen net repayments since 2019. Similarly, other loans and advances growth moved into negative territory in February, moving down 1.8 percentage points to -0.2%. The net repayments are indicative of “overstretched” households who drastically overutilized these facilities in 2020, given the economic pressures, and thus the need to lower their usage moving forward.

Finally, instalment credit and leasing continued to post negative growth for the 40th consecutive month, with annual growth of -4.1%. 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

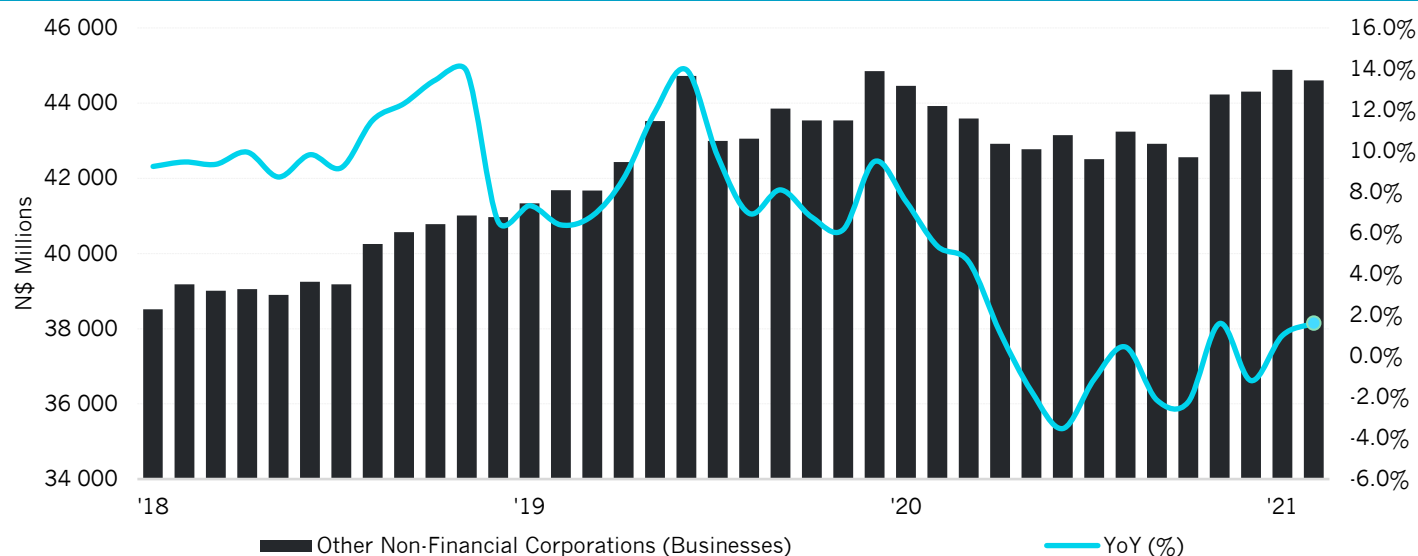
Credit extension growth to businesses continued to improve into the second month of 2021, with growth rates of 1.6% y/y (N\$687.4m). However, net repayments were made by businesses m/m as credit extension growth amounted to -0.6% m/m (-N\$278m). The outstanding value of advances to businesses amounted to N\$44.6 billion. Short-term debt facilities remain the primary form of credit businesses are utilizing. Overdraft extension growth remained in double-digit territory, with growth of 12.0%y/y (N\$1.2 bn). Other loans and advances growth rebounded into positive territory, moving up 2.0 percentage points to 1.4% y/y (N\$237.7m). All other business extension lines saw contractions over the period, with mortgage loans, and instalment and leasing recording respective annual growth rates of -3.3% and -9.1%.

It is unsurprising that businesses continue to utilise short-term debt facilities at a significantly higher rate than other lines, given the current economic environment. However, this reliance is still worrying, as the initial supply shock and latent demand shock mean the operating environment will remain suppressed.

Moving forward, we anticipate tangible demand for finance to remain weak, given the more cautious lending strategies exercised by the commercial banks and the headwinds posed by the macro environment. Industries that we expect to struggle accessing finance are companies those in or linked to tourism and construction, in particular. Moreover, there is growing concern that many companies have increasing creditors specifically linked to the construction industry which will only worsen the issue of access to credit.

Business PSCE

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



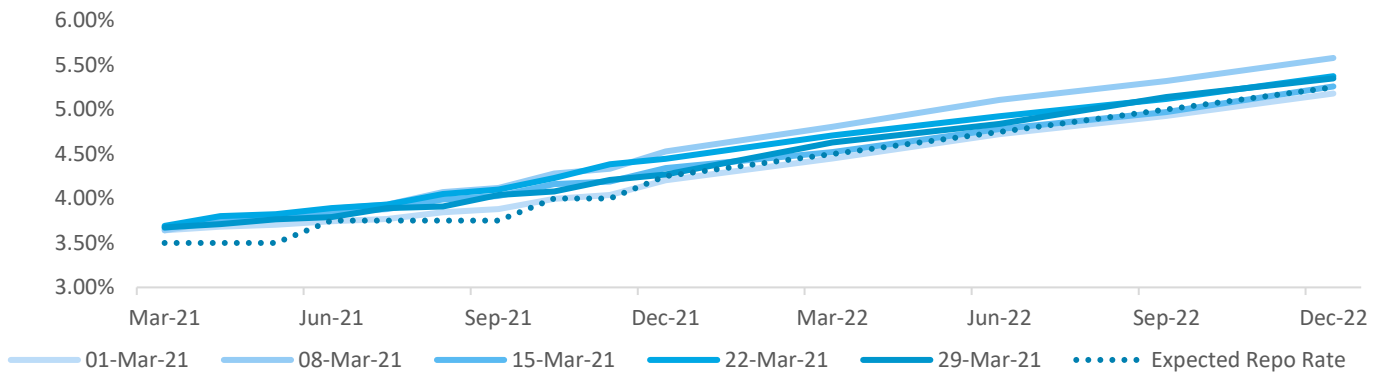
Source: Bank of Namibia, Cirrus Securities

Interest Rates

The South African Reserve Bank's Monetary Policy Committee met on 25 Mar '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%. The Bank of Namibia is expected to echo the SARB in March. Moving forward, the market, through the FRA curve, is anticipating 3 hikes by the end of the year. If these were to transpire we maintain Namibia should keep its spread above South Africa. We reiterate that the 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.

FRA Curve

3 hikes are expected this year according to the FRA Curve



Source: Bloomberg, Cirrus Securities

Liquidity

Average banking sector liquidity improved in February, averaging N\$1.5bn – an improvement of about N\$725.8m compared to January. The increase in the liquidity position is largely the result of proceeds from mineral sales during the month under review.

International Reserves and Central Government Claims at BoN

Foreign reserves decreased in February, falling 5.9% to N\$32.4bn (January: N\$34.4bn). The decline in the official reserve stock was mainly due to net purchases of Rand currency by commercial banks during the period under review. Moreover, the central government's balance at the central bank deteriorated in February, decreasing by N\$1.9bn to N\$5.4bn.

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

