

Money and Banking Statistics

01 Jun '21

April 2021

Private sector credit extension growth improved to 3.1%, annually, moving up 1.1 percentage points from March, as reported by the Bank of Namibia. The growth was largely due to growth in mortgages to individuals which accounted for 74.4% of total extensions. Total outstanding private sector credit currently stands at N\$105.2 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	105,223.9	-41.3	0.0	2,808.3	2.7
Other financial corporations	4,755.5	127.2	2.7	-745.5	-13.6
Other nonfinancial corporations (Businesses)	43,801.4	-335.7	-0.8	879.9	2.0
Loans and Advances	40,421.8	-223.8	-0.6	1,308.3	3.3
Mortgage Loans	12,460.8	44.5	0.4	-255.0	-2.0
Other Loans & Advances	16,686.0	-374.2	-2.2	221.6	1.3
Overdraft	11,275.0	105.9	0.9	1,341.8	13.5
Instalment and Leasing	3,379.6	-111.9	-3.2	-428.4	-11.3
Other resident sectors (Households)	61,030.1	360.9	0.6	2,297.4	3.9
Loans and Advances	54,564.4	314.8	0.6	2,266.6	4.3
Mortgage Loans	42,431.8	248.3	0.6	2,088.5	5.2
Other Loans & Advances	9,653.0	23.4	0.2	77.8	0.8
Overdrafts	2,479.6	43.1	1.8	100.3	4.2
Instalment and Leasing	6,465.7	46.1	0.7	30.9	0.5
Non-resident private sector	392.3	-66.6	-14.5	-369.0	-48.5

Source: Bank of Namibia

Credit extension growth to the private sector moved up marginally in Apr '21, with growth of 3.1% y/y, however slowed compared to the 6.1% y/y print in Apr '20. Moreover, if credit extended to non-residents is included, overall PSCE growth comes in at 2.7% y/y. By both measures (inclusive or exclusive of non-residents), annual PSCE growth was below April's inflation print of 3.9%. Under the broader definition (including non-residents), credit extended increased by N\$2.8 billion y/y and -N\$41.3 million m/m.

Annual credit extension growth to businesses continued to improve after experiencing half a year of negative growth in '20. Business credit extension growth amounted to 2.0% y/y (N\$879.9m), however declined by 0.8% m/m (-N\$335.7m). Moreover, households' credit extension growth improved into April with growth of 3.9% y/y (N\$2.3bn). Household uptake of credit also increased m/m, by 0.6% (N\$360.9m). The non-resident sector continued to act as a drag on growth on both an annual and monthly basis, with respective contractions of -48.5% y/y (-N\$369.0m) and -14.5% m/m (-N\$66.6m).

Growth in credit extension remains weak despite the low interest rate environment, printing below annual inflation. The collapse in household incomes in the wake of the COVID-19 pandemic and subsequent regulations has resulted in weak tangible demand, while lenders face a materially riskier credit environment than before '20. As a result, the low administered rates do not provide a sufficient risk vs return trade-off for lenders, causing them to exercise more caution. Given the significant impairments/write-offs to banks assets and net repayments observed over the period, PSCE growth is expected to remain low for 2021.



Individuals

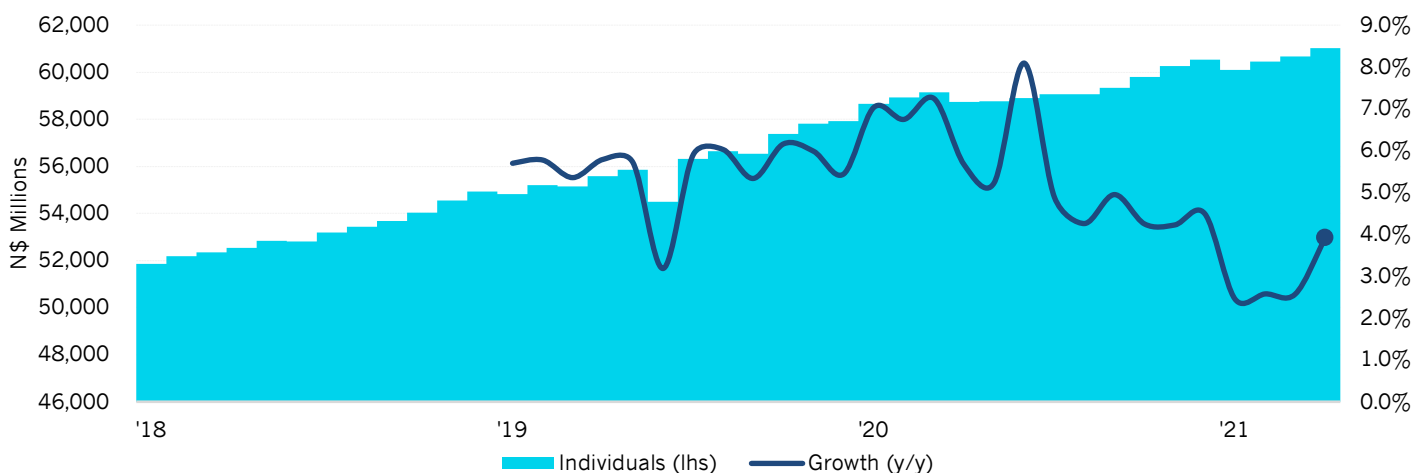
Credit extension growth to individuals improved in Apr '21, growing by 3.9% compared to 2.6% in March. This was primarily driven by increased activity in the mortgage space. Moreover, all credit lines saw improvements m/m, resulting in growth of 0.6% m/m.

Mortgage loan growth, the largest contributor to advances, moved up by 0.8 percentage points to 5.2% y/y and also saw net extensions m/my, growing by 0.6% m/m. The growth was largely due to growth in mortgages to individuals which accounted for 74.4% of total extensions. However, as the property market continues to come under pressure, with deflationary pressures and lower consumer activity, growth in this line will remain subdued moving forward. As the relatively high risk of mortgage defaults remains, we expect to see mortgage growth remaining low moving forward. This is underpinned by mortgages accounting for 61% of non-performing loans in Dec '20. There remains the risk that loan growth is marred by the refinancing of existing loans, as well as the likelihood of further properties coming to market in Windhoek and keeping housing prices subdued/deflationary.

Overdraft extension increased by 4.2% (N\$100.3m), up 2.7 percentage points from the previous month. Similarly, other loans and advances growth moved into positive territory in April, moving up 1.2 percentage points to 0.8% y/y. Finally, instalment credit and leasing posted positive growth for the first time in 40 months, with annual growth of 0.5%. This was likely to happen as vehicle sales in '21 have outperformed sales witnessed last year, given the incredibly low base and release of some pent-up demand.

Household PSCE

Improvement in credit extended to households



Source: Bank of Namibia, Cirrus Securities

Businesses

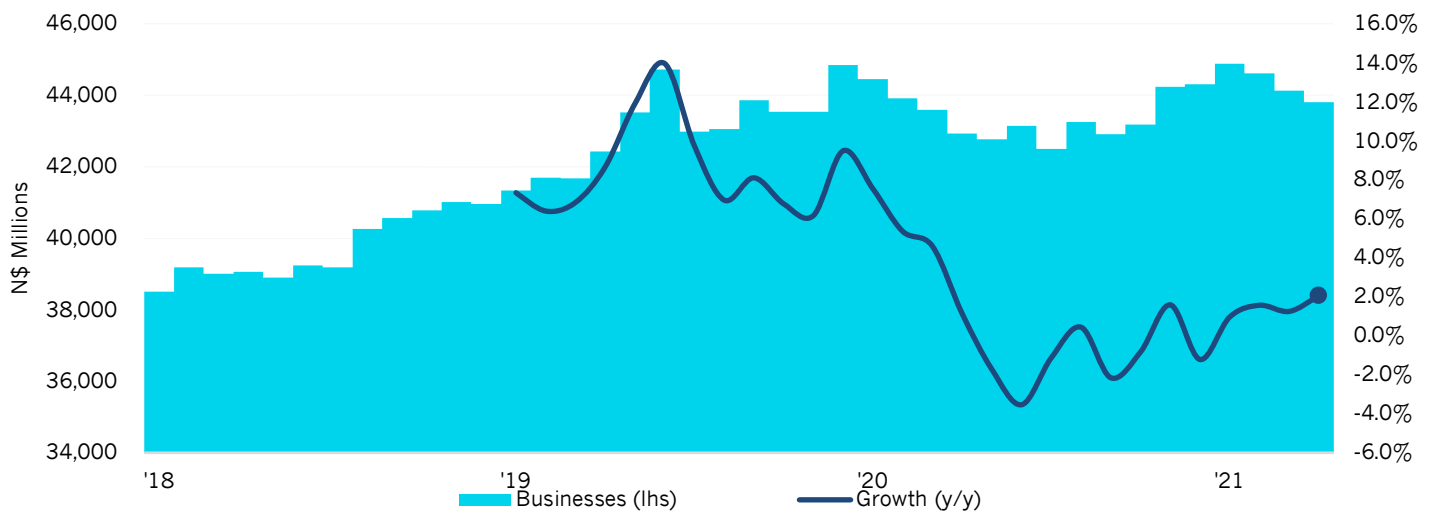
Credit extension growth to businesses continued to improve in Apr '21, with growth of 2.7% y/y (N\$879.9m). However, on a monthly basis, net repayments were made by businesses as credit extension growth amounted -0.8% m/m (-N\$335.7m). The outstanding value of business advances amounted to N\$43.8 bn. Short-term debt facilities remain the primary credit service businesses are utilizing. Overdraft extension growth was again in double digit territory, with growth of 13.5% y/y (N\$1.3 bn). Other loans and advances growth moved up 2.0 percentage points to 1.4% y/y (N\$221.6m). All other business extension lines saw contractions over the period, with mortgage loans and instalment and leasing with respective annual growth rates of -2.0% and -11.3%.

Short-term credit facilities will remain a primary source of financing for businesses in the current economic climate, particularly given the low nominal interest rates. However, the risk for many entities is that demand remains suppressed for an extended period, meaning that the reliance on debt facilities could be unsustainable – particularly if interest rates were to begin rising.



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 Bank Monetary Policy Committee met on 20 May '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's MPC is expected to follow suit at its upcoming meeting on 16 Jun '21. Moving forward, the market is pricing in rate hikes for later this year – likely off the back of global interest pressures and concerns around rising inflation.

Liquidity

Average banking sector liquidity improved in April, averaging N\$3.0bn – an improvement of about N\$685.2m compared to March. The increase in the liquidity position is attributed to the repatriation of funds by pension funds, in complying with the domestic asset requirement, and the proceeds from mineral sales.

International Reserves and Central Government Claims at BoN

Foreign reserves increased in April, increasing 18.7% and surpassing the N\$40 billion mark for the first time ever, to total N\$41.2bn (March: N\$34.6bn). The rise in the official reserve stock was due to inflows in the form of the IMF Rapid Financing Instrument (RFI), quarterly SACU receipts, as well as foreign currency purchases by Bank of Namibia during the month. As a result, the central government's balance at the central bank improved markedly, increasing by N\$4.7bn to N\$9.0bn. However, it should be noted that this is likely to be a once-off event, as no further significant inflows from external financing are anticipated this financial year and SACU receipts for FY '21/22 are materially lower than before. Additionally, the anticipated redemption of the Eurobond 1 in November will result in a significant outflow of hard currency, although this may be offset by the repatriation of pension fund assets.



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