Private Sector Credit Extension
December 2023

Overview

Category	N$ Millions	Change in N$ Millions		% Change	
	Outstanding	One Month	One Year	m/m	y/y
Corporates	**45,978.5**	**(233.8)**	**170.1**	**-0.51%**	**0.37%**
Individuals	**66,648.2**	**269.9**	**1,925.6**	**0.41%**	**2.98%**
Mortgage Loans	59,239.5	(326.9)	555.9	-0.55%	0.95%
Other Loans & Advances	28,582.8	358.3	(16.1)	1.27%	-0.06%
Overdrafts	12,645.1	(59.8)	282.5	-0.47%	2.28%
Instalment Credit	12,159.3	64.4	1,273.4	0.53%	11.70%
Total PSCE*	**112,626.7**	**36.1**	**2,095.7**	**0.03%**	**1.90%**

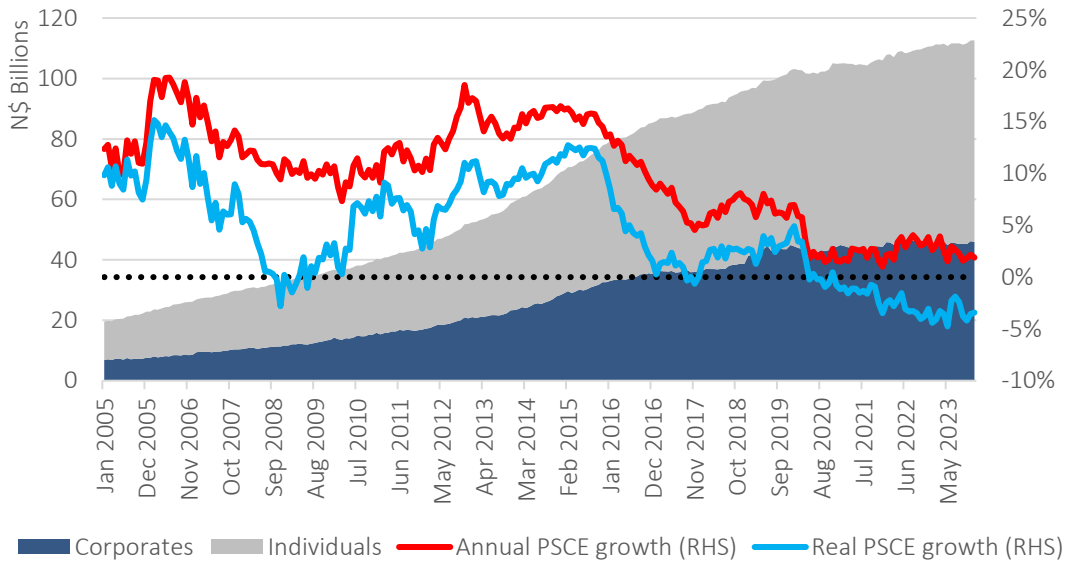
**Normalised for claims on non-resident private sectors*

Source: Bank of Namibia, IJG Securities

Appetite for credit in 2023 remained subdued. **Private sector credit (PSCE) grew by a meagre 0.3% m/m, translating to subdued annual growth of 1.90% in December 2023.** This is 1.96 percentage points lower than the 3.86% increase recorded in 2022. The normalised cumulative credit outstanding amounted N$112.6 billion (removing the interbank swaps the Bank of Namibia (BoN) accounts for in non-resident private sector claims). Over the past twelve months, N$2.10 billion worth of credit was extended to the private sector, which is 48.9% less than the N$4.1 billion issued over the same period a year ago.

Real PSCE growth trending in the negative territory for the last 44 consecutive months, together with inflationary pressures, signals tight financial conditions in the economy. PSCE growth reaching such low levels remains a concern as it indicates that the private sector is not taking up credit to expand economic activity.

Private Sector Credit Outstanding and Growth



Source: Bank of Namibia, IJG Securities

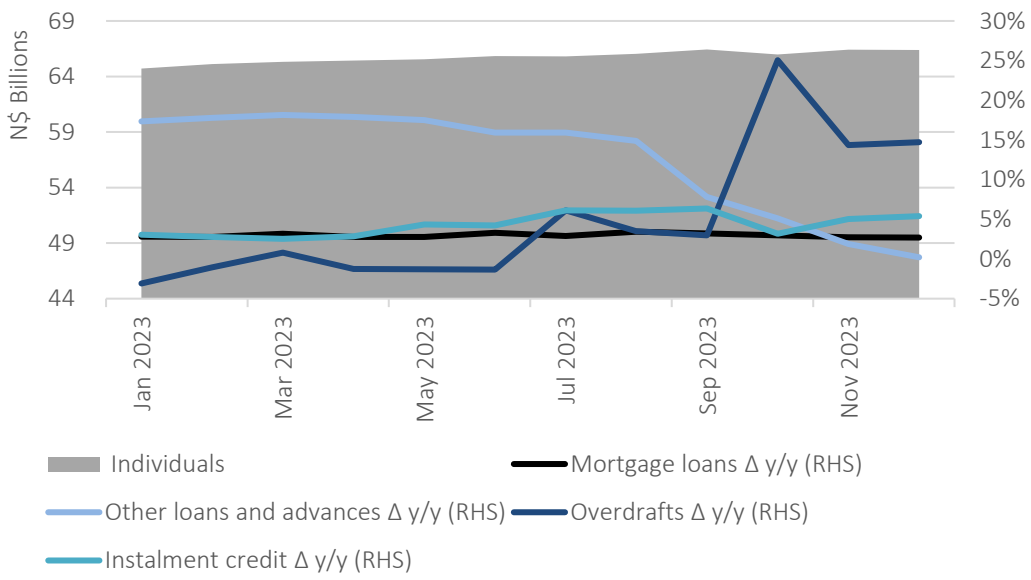
Credit Extension to Individuals

In December 2023, annual growth in credit extended to individuals reached its lowest level since September 2022. There was a 2.98% y/y increase in the amount outstanding by individuals in December 2023 driven by the continued demand for overdraft facilities (↑ 14.7% y/y), followed

by leasing and instalment credit (↑ 5.4% y/y), mortgage loans (↑ 2.7% y/y), and other loans and advances (↑ 0.2% y/y). Indeed, given the assumed financial pressures in January 2024, we expect overdraft facilities to stay on this trend, while the other categories remain flat.

On a monthly basis, individuals were net borrowers, compared the previous month of being net repayors. During the month under review, there was a 0.4% m/m increase in their overall credit uptake, equating to borrowing of N$270 million.

Credit outstanding and annual credit growth (Individuals)



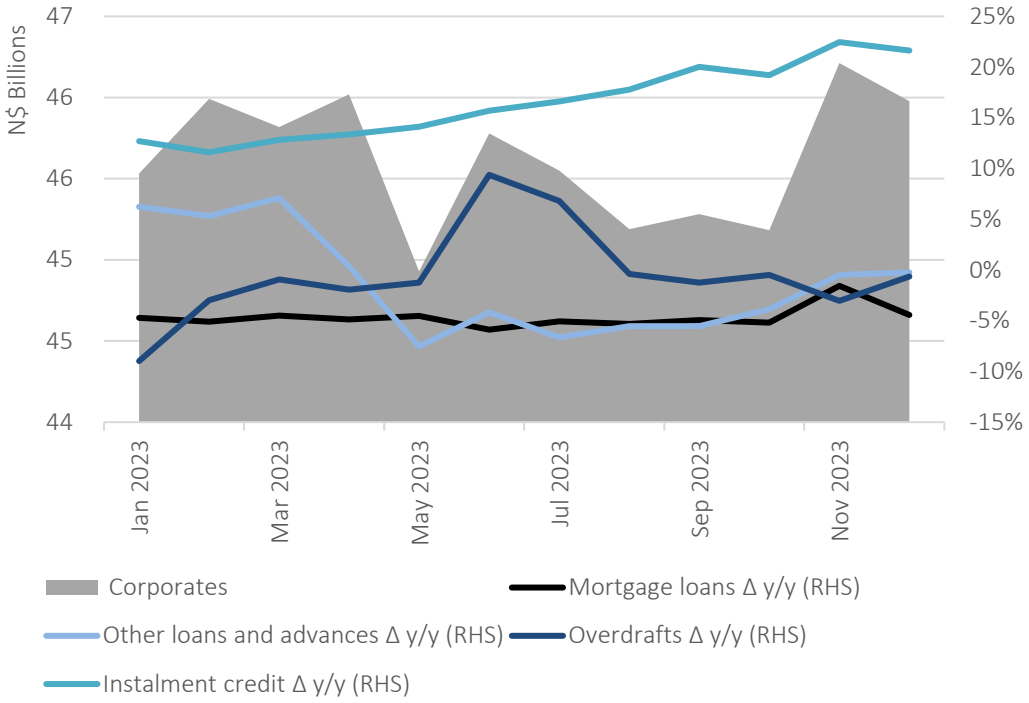
Source: Bank of Namibia, IJG Securities

Credit Extension to Corporates

After seven consecutive months of being annual net repayors of credit, corporates were net borrowers for the 2nd consecutive month on an annual basis. In December 2023, corporate credit rose by 0.37% y/y, slightly slower than the 0.70% y/y increase in November 2023. This growth was predominantly propelled by growth of 21.6% y/y in instalment and leasing credit. According to the Bank of Namibia (BoN), growth in credit slowed due to lower demand and higher repayments by companies in the mining, services, wholesale and retails trade and agriculture sectors.

Further, corporates remained net repayors of their overdraft facilities (↓ 0.6% y/y), mortgage loans (↓ 4.4% y/y) and other loans and advances (↓ 0.2% y/y). On a monthly basis, corporates were net repayors, decreasing their amount outstanding by 0.51% m/m in December.

Credit outstanding and annual credit growth (Corporates)

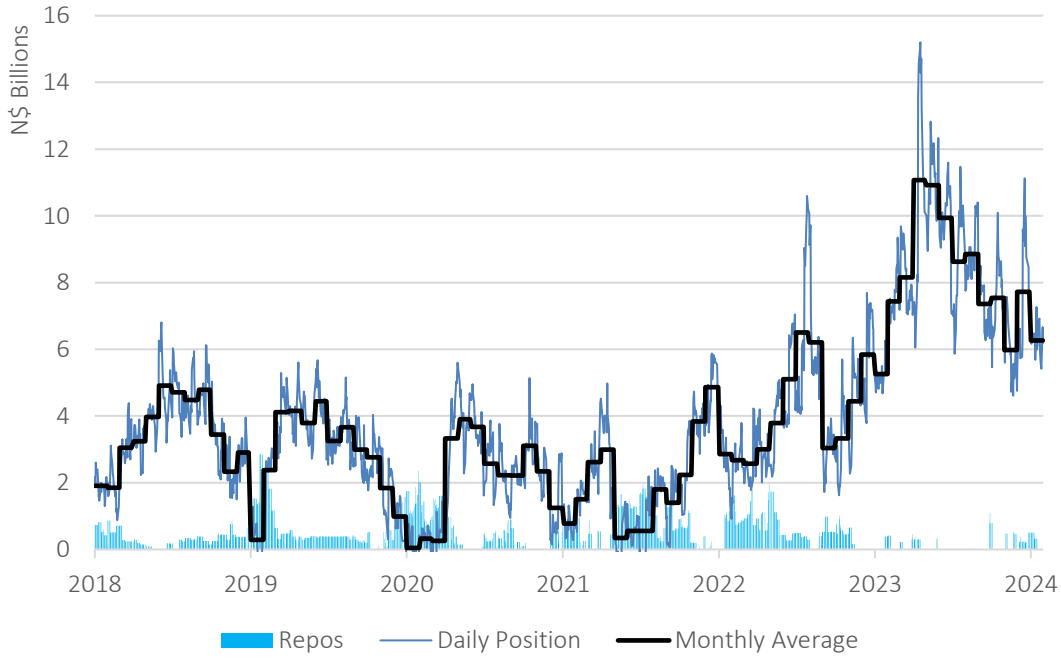


Source: Bank of Namibia, IJG Securities

Banking Sector Liquidity

The commercial banks' overall liquidity rose N$2.35 billion to an average of N$7.72 billion in December. The BoN ascribed the increase to an increase in diamond sales as well as corporate tax payments to the state.

Namibian Banking Liquidity

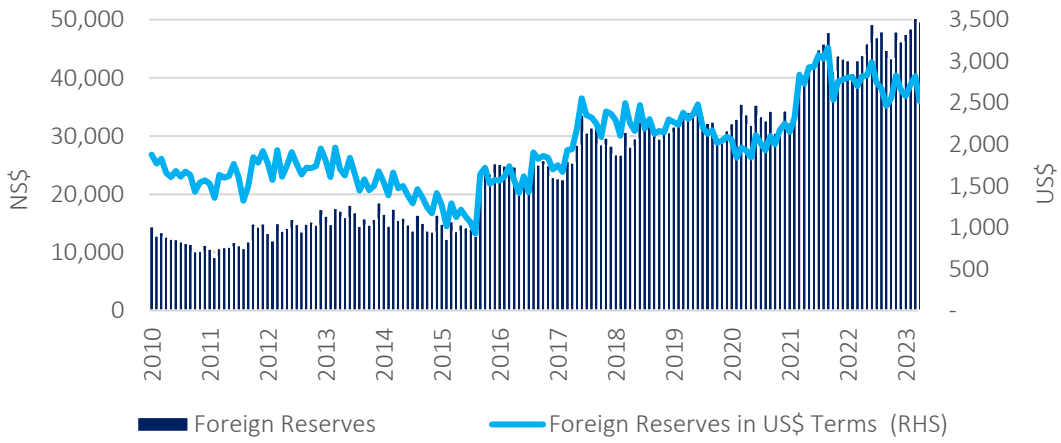


Source: Bank of Namibia, IJG Securities

Money Supply and Reserves

According to the BoN's latest monetary statistics, broad money supply rose by 10.7% y/y in December 2023, compared to 10.3% y/y in November 2023. The stock of international reserves increased by 8.4% m/m after 3 consecutive months of decline, from N$50.6 billion in November to N$54.9 billion in December. The increase was supported by higher commercial bank inflows due to diamond sales and customer foreign currency placements (CFC's). This translates to 4.6 months of import cover, above the 3.0 months international benchmark.

Foreign Reserves



Source: Bank of Namibia, IJG Securities

Outlook

Going forward, we expect PSCE growth to remain subdued in 1H24. We could see demand for credit pick up slightly once rate cutting cycle starts expected in 2H24. The BoN's MPC is scheduled to announce their rate decision on the 14th of February. We anticipate them to keep the repo rate steady at 7.75%, aligning with the decisions made by the FOMC and SARB.

The Federal Open Market Committee (FOMC) announced that they will maintain the rate in the US at 5.25%-5.50%, as the market predicted. At the same time, they announced that a rate cut in March is unlikely still maintaining their 2% inflation target. US annual inflation stood at 2.6% in December 2023.

The South Africa Reserve Bank (SARB) maintained their rate at 8.25% on the 25th of January. The country's annual inflation stood at 5.1% in December, well settled within the SARB's inflation target between 3%-6%. However, they noted that the economic outlook remains uncertain, as geopolitical tensions and climate change are threatening supply chains, output and prices.



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