Private Sector Credit Extension
March 2024

Overview

Category	N$ Millions Outstanding	Change in N$ Millions One Month	Change in N$ Millions One Year	% Change m/m	% Change y/y
Corporates	**45,843.8**	**(409.9)**	**25.2**	**-0.89%**	**0.06%**
Individuals	**66,848.4**	**(68.5)**	**1,417.9**	**-0.10%**	**2.17%**
Mortgage Loans	58,982.1	(235.2)	233.3	-0.40%	0.40%
Other Loans & Advances	28,444.4	(191.2)	(86.5)	-0.67%	-0.30%
Overdrafts	12,805.2	(131.7)	(99.1)	-1.02%	-0.77%
Instalment Credit	12,460.4	79.7	1,395.4	0.64%	12.61%
Total PSCE*	**112,692.2**	**(478.5)**	**1,443.1**	**-0.42%**	**1.30%**

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

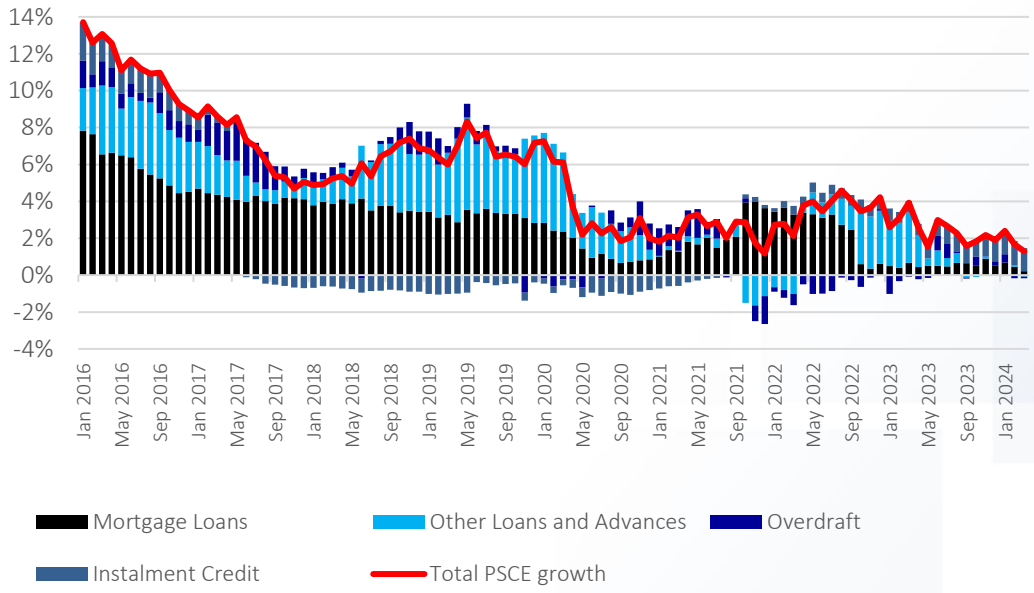
Source: Bank of Namibia, IJG Securities

Private sector credit (PSCE) fell by 0.42% m/m in March, translating to subdued annual growth of 1.30%. This is the lowest annual growth in outstanding loans since December 2021. The normalised cumulative credit outstanding amounted to N$112.7bn (removing the interbank swaps the Bank of Namibia (BoN) accounts for in non-resident private sector claims). N$478.5m worth of private sector debt was repaid during March, driven by both businesses and households.

Over the past twelve months, N$1.44 billion worth of credit was extended to the private sector, which is 65.7% less than the N$4.21 billion issued over the same period a year ago. According to the BoN's data, the decrease in credit appetite was driven by businesses (↓ 97.0% credit issued over the past 12 months compared to the same period in the prior year) and households (↓ 57.9% credit issued over the past 12 months compared to the same period in the prior year).

The figure below shows the contribution of the different types of credit to total credit growth. As of March 2024, instalment credit contributed 1.3 percentage points (pps) to the annual credit growth rate, while mortgage loans contributed 0.2 pp, overdrafts -0.1 pp and other loans and advances contributed -0.1 pp. Net repayments of 'other loans and advances' and overdrafts essentially offset the increase in mortgage loans.

Elements of PSCE Growth (pp)



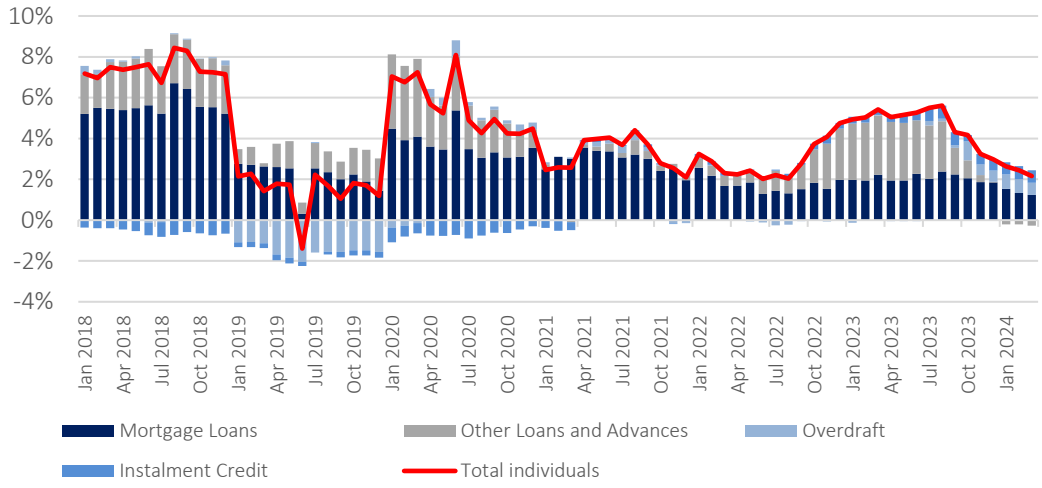
Source: Bank of Namibia, IJG Securities

Credit Extension to Individuals

Credit extended to individuals grew by 2.17% y/y in March, slowing from the 2.44% y/y growth rate recoded in February. Total credit extended to individuals stood at N$66.8bn at the end of March. The year-on-year growth was driven by mortgage loans (contributing 1.2 pp), overdrafts (0.6 pp) and instalment and leasing credit (0.6 pp), while other loans and advances had an adverse impact on credit growth (-0.3 pp).

Overdraft facilities fell 1.3% m/m but rose 16.3% y/y, and leasing and instalment credit fell by 0.3% m/m but rose 5.9% y/y. Both mortgage loans and 'other loans and advances' were steady month-on-month, with the former still up 1.8% y/y while the latter fell by 1.5% y/y.

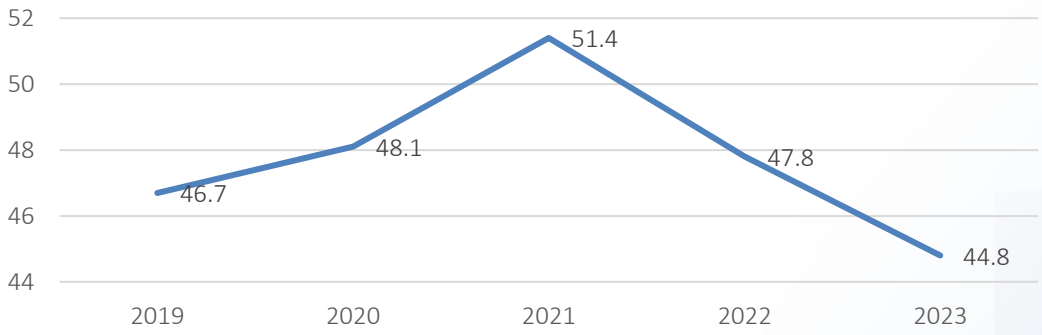
Annual Credit Growth
(Individuals)



Source: Bank of Namibia, IJG Securities

The ratio of household debt to disposable income fell in 2023, according to the Bank of Namibia (BoN). According to the BoN, households' disposable income increased by 10.2% y/y, while debt grew by a more subdued 3.3% y/y. The subdued growth was due to individuals failing to meet higher credit standards set by banks, resulting in alternative lending sources such as microlenders.

Household Debt to Disposable income
(%)



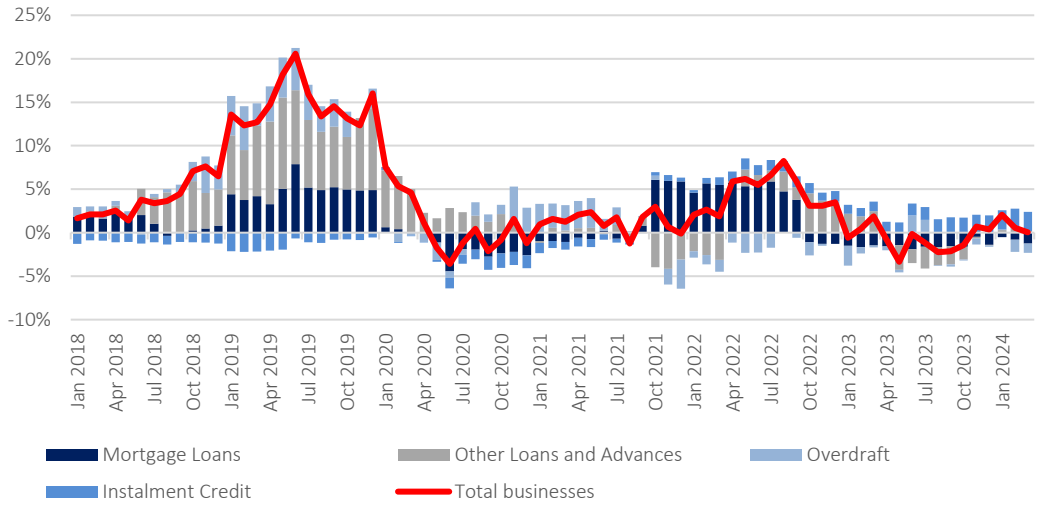
Source: Bank of Namibia, IJG Securities

Credit Extension to Corporates

Credit extended to corporates grew by 0.06% y/y, compared to the 0.57% y/y growth in February. The total credit held by businesses stood at N$45.8bn at the end of March. The drivers of the annual credit growth rate to corporates were instalment and leasing credit, contributing 2.2 pps to the year-on-year growth rate, followed by 'other loans and advances' (contributing 0.2 pp), while mortgage loans (-1.3 pp) and overdrafts (-1.1 pp) had adverse impacts on credit growth.

Leasing and instalment credit continues to drive corporate credit extension, with the category registering growth of 2.0% m/m and 22.9% y/y. All other categories contracted month-on-month, with 'other loans and advances' declining by 1.1% m/m, but up 0.6% y/y, while overdrafts fell by 0.9% m/m and 4.7% y/y. Mortgage loans meanwhile fell by 1.7% m/m and 4.0% y/y.

Annual Credit Growth
(Corporates)

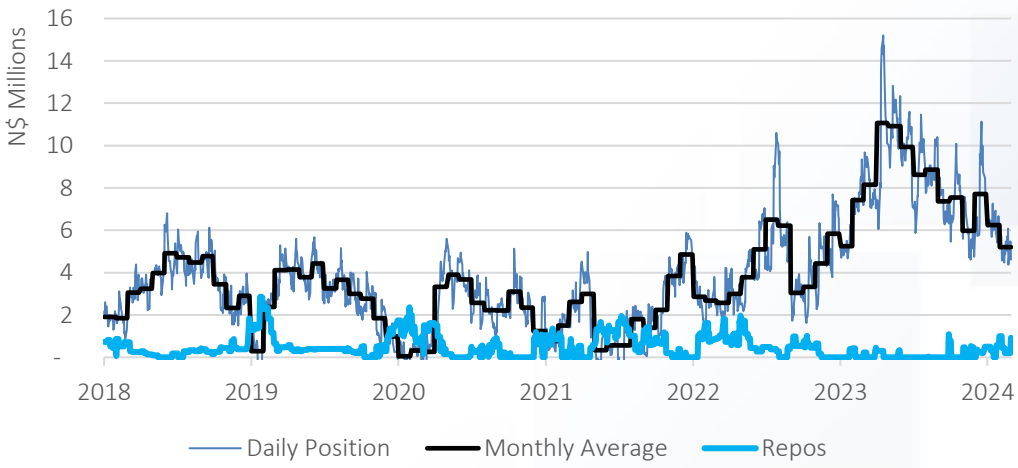


Source: Bank of Namibia, IJG Securities

Banking Sector Liquidity

The commercial banks' overall liquidity increased by N$5.02bn in March to an average of N$7.12bn. According to the BoN, diamond sales and government spending were the drivers for the increased liquidity. Specifically, government spending entails the release of unused funds from the FY2023/24 budget by the government to commercial banks to avoid the loss of funds. However, overall liquidity decreased by N$635.88m in April to an average of N$8.59bn.

Namibian Banking Liquidity

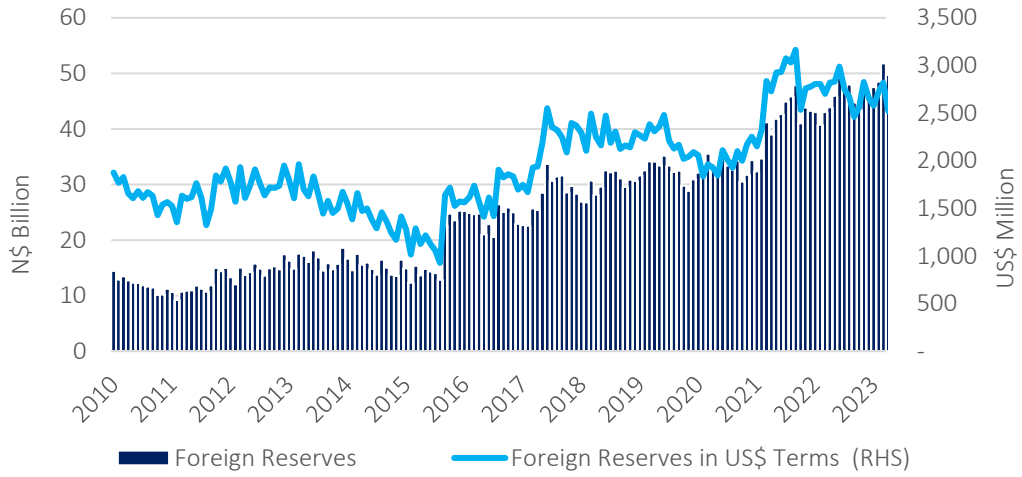


Source: Bank of Namibia, IJG Securities

Money Supply and Reserves

The stock of international reserves decreased by 2.0% m/m, from N$55.4bn in February to N$54.3bn in March. The fall was due to credited to higher net commercial bank outflows due to higher imports and portfolio outflows, according to the central bank. These foreign reserves equate to 3.8 months of import cover, persisting above the global standard of 3.0 months and providing sufficient support for the currency peg. Import cover excluding oil exploration activities stood at 4.3 months in March.

Foreign Reserves

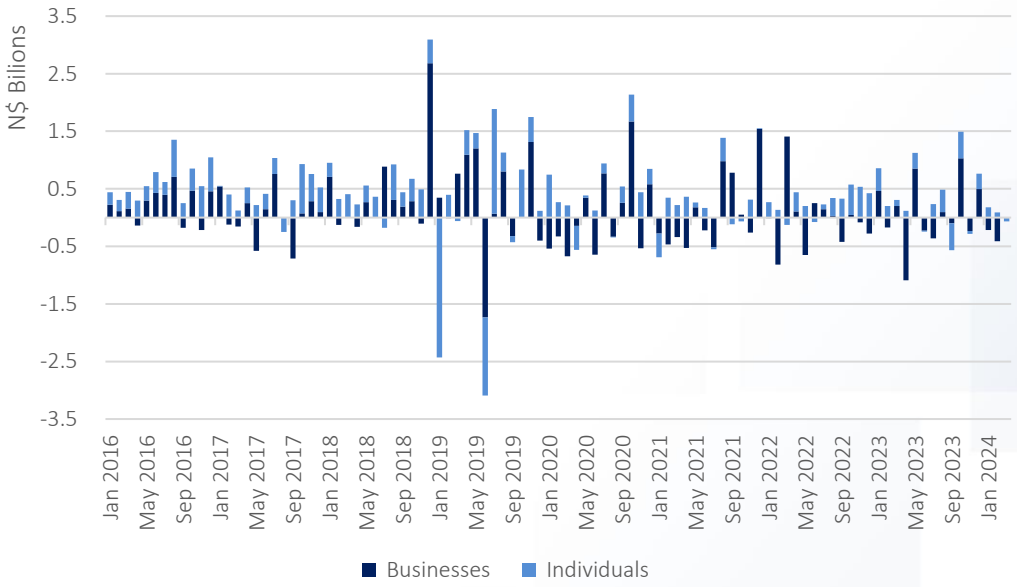


Source: Bank of Namibia, IJG Securities

Outlook

Without considering base effects of private sector credit extension growth, there still seems to be a net uptake of credit, albeit lower. Both corporates and individuals were net repayers of credit in March. Going forward, we expect PSCE growth to remain subdued due to a lack of credit appetite by corporates, as indicated by their net repayment trends across the categories.

Net Credit Uptake
(N$ Billions)



Source: Bank of Namibia, IJG Securities

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