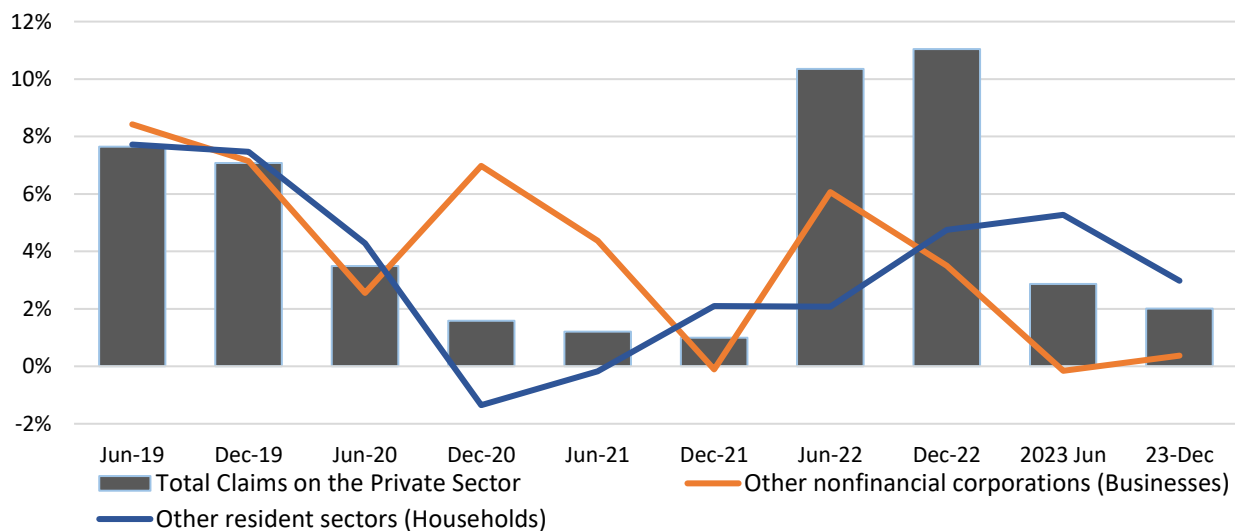


# Private Credit Extension December 2023

## 1. Overview

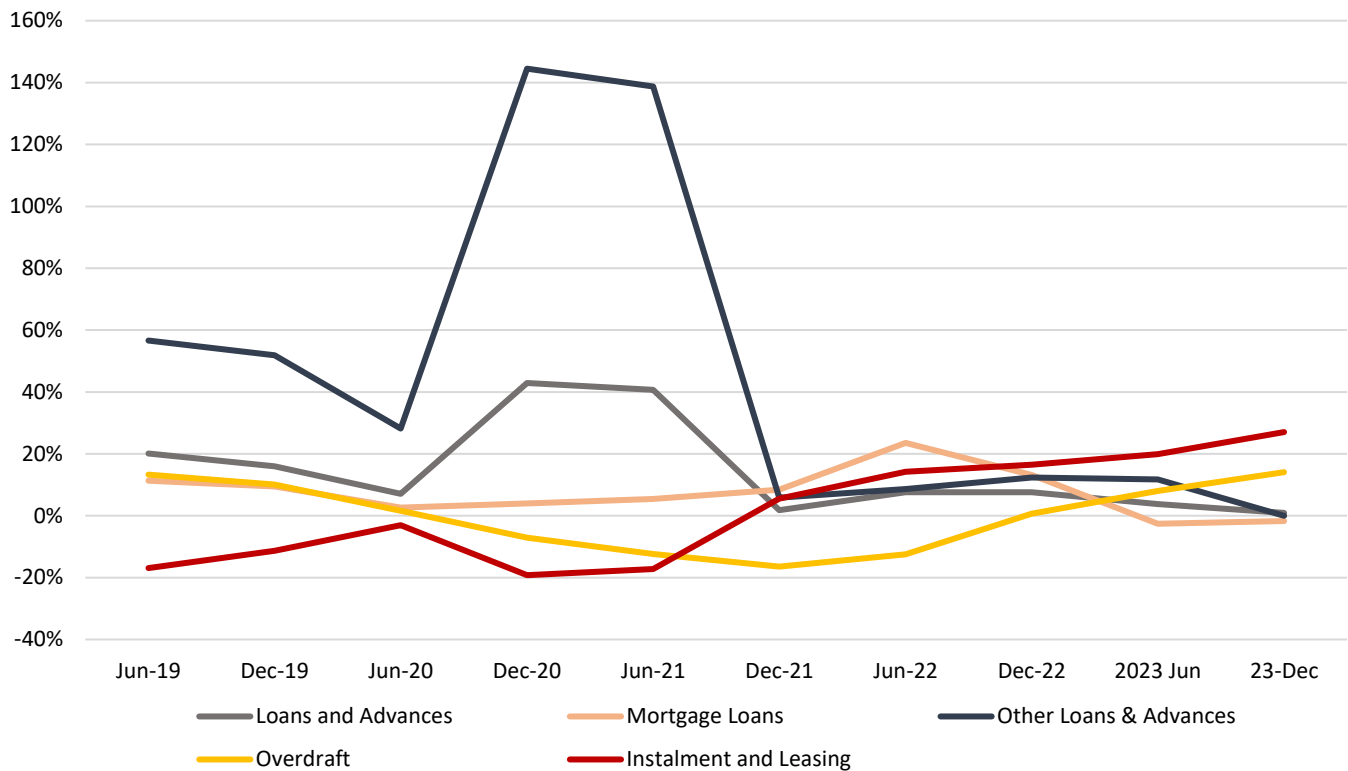
In 2023 demand for credit was slow, PSCE continued to lag pre-pandemic growth rates. Private sector credit (PSCE) grew annually by 2% in December 2023 compared to 11% annual growth recorded for December 2022. The annual subdued growth in credit demand was attributed to an increase in prime lending rates which effected corporate credit demand in 2023, this caused corporates to seek credit through alternative sources such as private investments. Corporate credit slowed annually by 0.4%. in contrast, household credit appetite remained strong in 2023 growing by 3% annually driven by the mortgage category due to the increase in housing demand in the country since 2021 with the operation of mass affordable housing projects. On a monthly basis credit extended to the private sector grew by 0.2%. On a cumulative basis, a total of about 1.4 billion was extended to the private sector with a total of 56% of Household Credit and 38% of Corporate Credit extended than the 11.7 billion extended during the same period in 2022. High prime rates effected corporate credit demand in 2023, this caused corporates to seek credit through alternative sources such as private investors.

**Figure 1: Private Sector Credit Extension Year-on Year % growth rates**



Source: Bank of Namibia, HEI Research

**Figure 2: Private Sector Credit Extension Year on Year % growth rates**

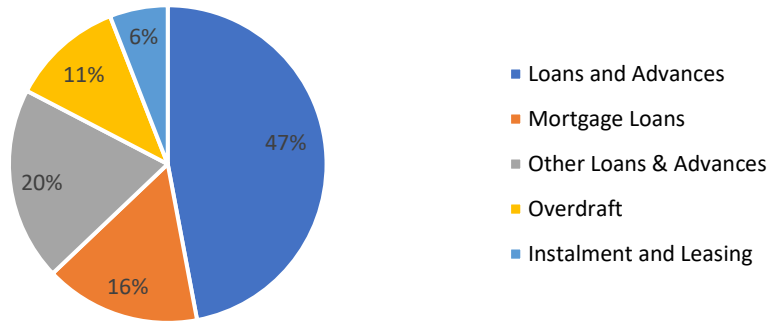


Source: Bank of Namibia (BoN), HEI Research

## 2. Corporate Credit Extension

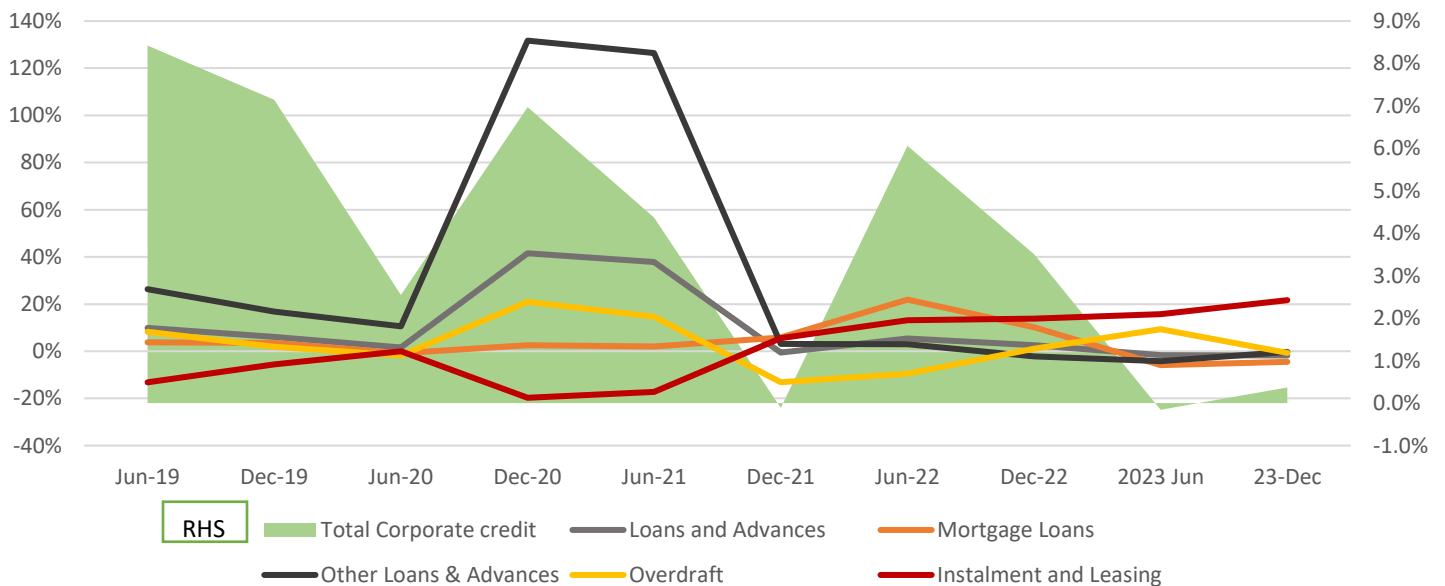
In December 2023, corporate credit rose by 0.4% annually slower than the 0.7% annual increase in November 2023. Annual growth was attributed by growth the of 21.6% y/y in installment and leasing credit. Bank of Namibia (BoN) stated that growth in December 2023 in credit slowed due to lower demand and higher repayments by companies in the mining, services, wholesale and retail trade and agriculture sectors. The Corporate sector further presented repayments annually with their Mortgage Loans (down 4.4%), Other Loans and Advances (down 2%) and Overdrafts (down 0.6%). On a monthly basis these three sectors also represented repayments.

**Figure 3: Credit Extended to the Corporate Sector by Category in Percentage**



Source: Bank of Namibia, HEI Research

**Figure 4: Private Sector Credit Extension Year-on Year % growth rates**



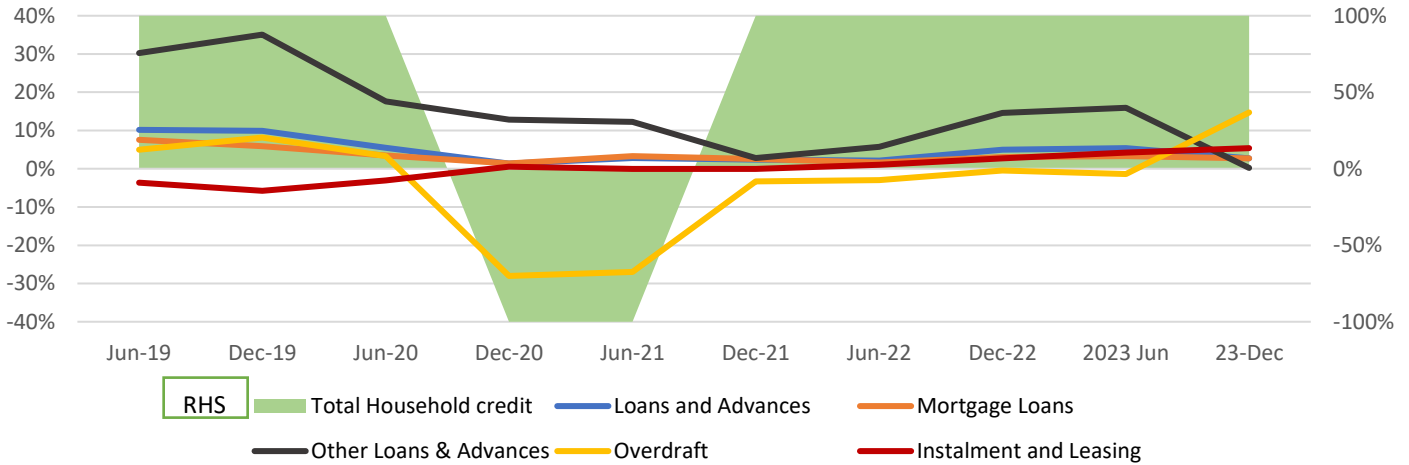
Source: Bank of Namibia, HEI Research

### 3. Household Credit Extension

Household credit slowed by 0.4% in December 2023 compared to 0.8% in November 2023, the sluggish growth in December 2023 stemmed from lower demand in other loans and advances. Furthermore, Growth in household credit was largely attributed to Overdrafts. Therefore, households remained net borrowers, compared to November of exhibiting net repayers.

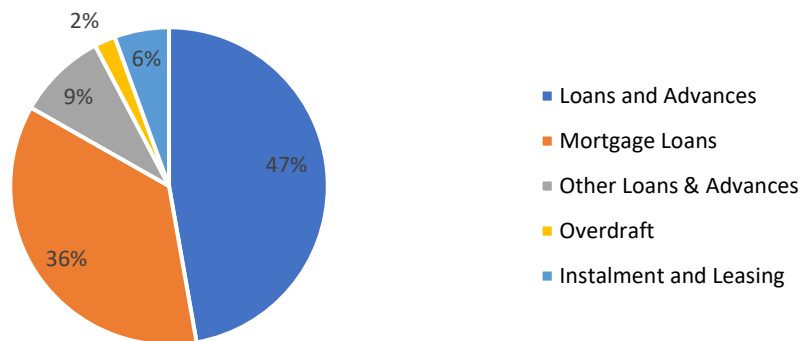
Annually household credit decreased to 3% compared to 4.7% in 2022. However, the amount outstanding by households remains high and is driven by continued demand for Overdrafts (up y/y 14.7%), Mortgage loans (up y/y 2.75), and Other loans and Advances (up y/y by 0.2%).

**Figure 5: Corporate Sector Credit Extension Year-on-Year % growth rates**



Source: Bank of Namibia, HEI Research

**Figure 6: Credit Extended to the Corporate Sector by Category in Percentage**



Source: Bank of Namibia, HEI Research

## 4. Money Supply and Reserves

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. Bank of Namibia stated that the increase was contributed by higher commercial bank inflows due to diamond sales and customer foreign currency placements (CFCs). The latest monetary statistics showed that broad money supply rose by 10.7% y/y in December 2023, compared to 10.3% y/y in November 2023.

**Table 1: Money Supply and Reserves**

	Nov-23 N\$ mil	Dec-23 N\$ mil	m/m %
<b>International reserves</b>	<b>50,602.40</b>	<b>54,858.10</b>	<b>0.1</b>
<b>Change in reserves</b>	<b>-777.2</b>	<b>4,255.70</b>	<b>-6.5</b>
<b>Broad Money Liabilities</b>	<b>142,358.30</b>	<b>143,799.60</b>	<b>1.0</b>

Source: Bank of Namibia, HEI research

## 5. PSCE Outlook

In the first half of 2024, the growth of Private Sector Credit Extension (PSCE) is anticipated to remain moderate. It is expected that there may be a slight increase in demand for credit once the rate-cutting cycle commences again. The Monetary Policy Committee (MPC) of the Bank of Namibia (BoN) is scheduled to announce its rate decision on the 14th of February 2024. We anticipate that the BoN will maintain the repo rate at 7.75%, aligning with the decisions made by the Federal Open Market Committee (FOMC) and the South African Reserve Bank (SARB). This alignment is expected to result in the continuation of an upward slow growth trajectory for PSCE until the commencement of the rate-cutting cycle.

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