

PSCE

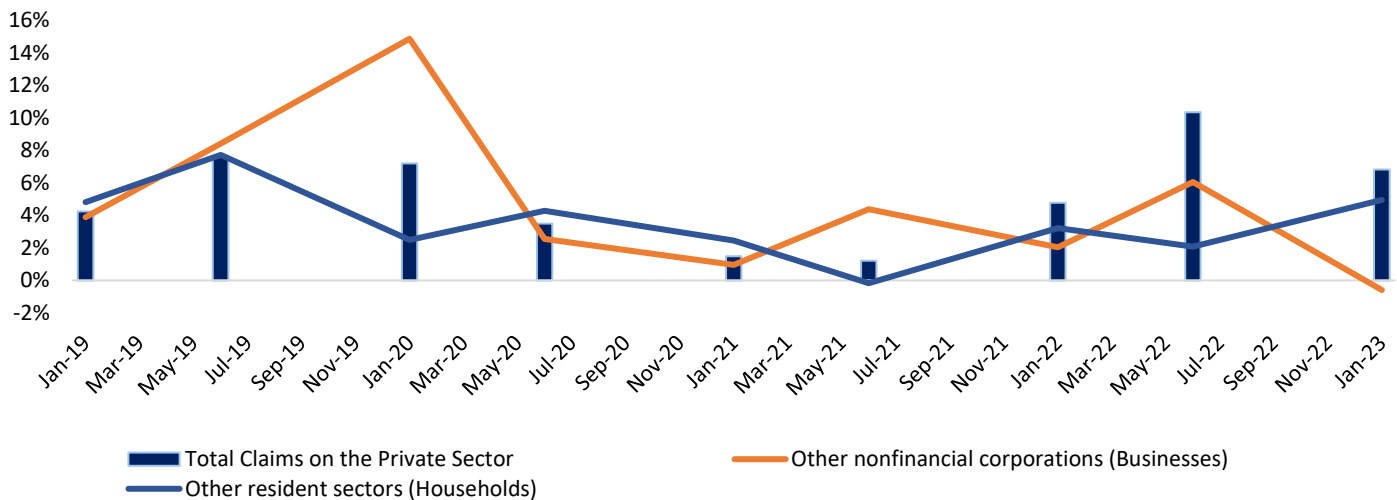
January 2024



1. Overview

In January 2024 demand for credit slightly increased, PSCE continues to lag pre-pandemic growth rates. Private sector credit (PSCE) grew annually by 2.4% in January compared to 3.4% annual growth recorded for January 2023. Monthly subdued growth in credit demand was attributed by a higher uptake by the corporate sector. Corporate credit grew annually by 2.1%. In contrast, household credit appetite decreased in January decreasing by 2.6% annually from 2.7% in December 2023. On a monthly basis credit extended to the private sector grew by 0.5%. On a cumulative basis, a total of about N\$ 118, 192 million was extended to the private sector with a total of 55% of Household Credit and 39% of Corporate Credit extended than the 120,548 million extended during December 2023.

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



Source: Bank of Namibia, HEI Research

As of January 2024, mortgage loans account for 52.3% of total credit extended, while other loans and advances make up 25.1%, overdrafts 11.8% and instalment credit 10.8%. Over the past year, mortgage loans grew by a meagre 1.3% year on year as at the end of January, while instalment credit rose by 12.9% year on year and overdrafts grew by 3.9% year on year. Other loans and advances remained steady year-on-year.



Figure 2: Private Sector Credit, by Sector distribution January 2024

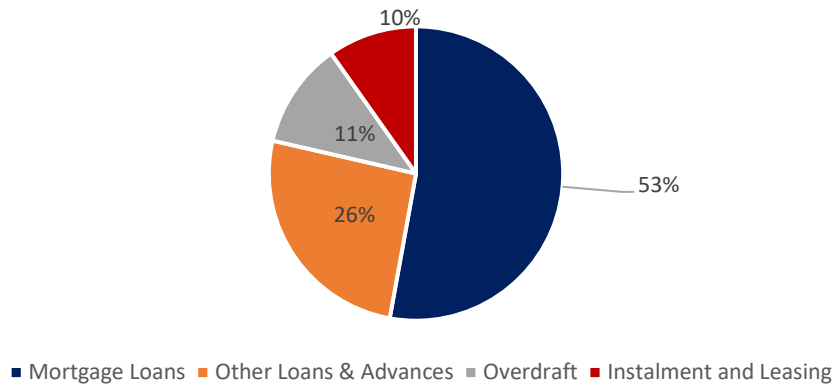
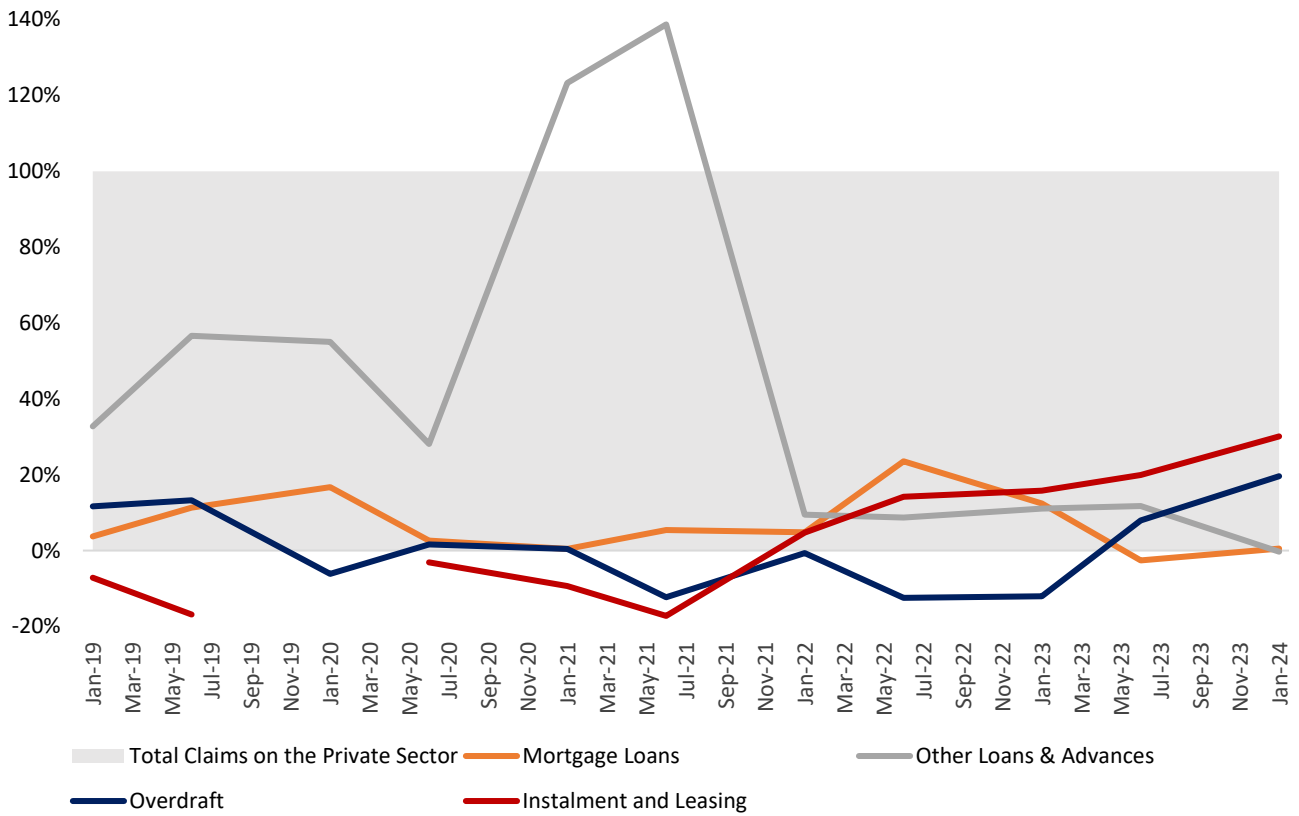


Figure 3: Private Sector Credit Extension Year-on Year % growth rates

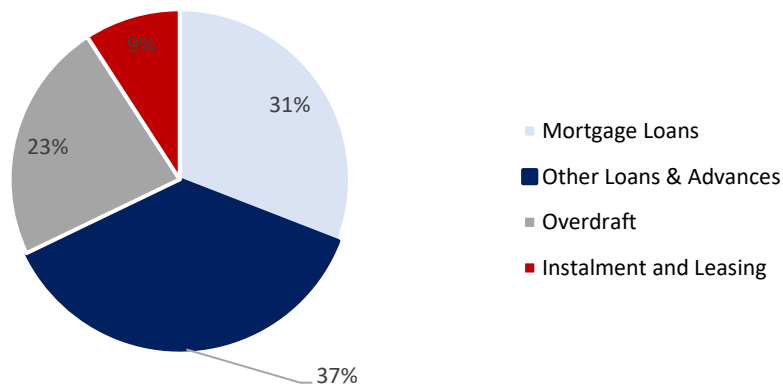


Source: Bank of Namibia (BoN), HEI Research

2. Corporate Credit Extension

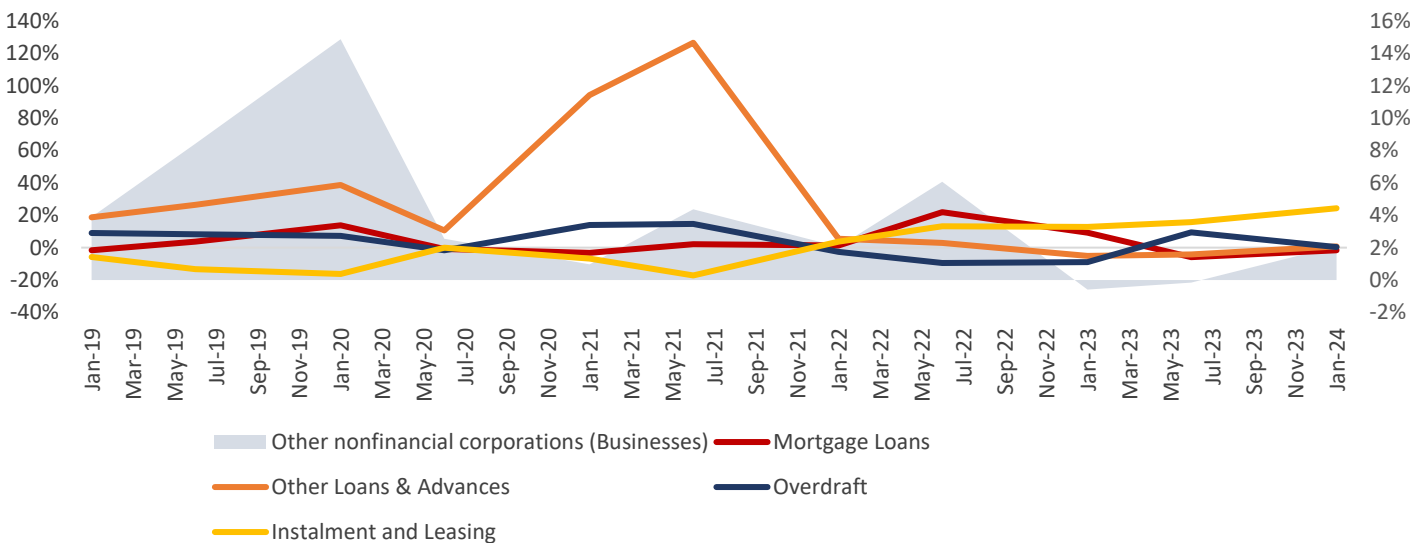
In January 2024, corporate credit rose by 2.1% annually faster than the 0.4% annual increase in December 2023. Annual growth was attributed by growth of 24.6% year on year in instalment and leasing credit. On a monthly basis credit increased by 1.1%. Bank of Namibia (BoN) stated that growth in January 2024 was on the back of higher uptake by corporates in manufacturing, energy and agriculture sectors. The Corporate sector presented slow repayments monthly with their Mortgage Loans (up 0.4%), Other Loans and Advances (down 1%) and Overdrafts (up 5.7%).

Figure 4: Credit Extended to the Corporate Sector by Category in Percentage



Source: Bank of Namibia, HEI Research

Figure 5: Private Sector Credit Extension Year-on-Year % growth rate

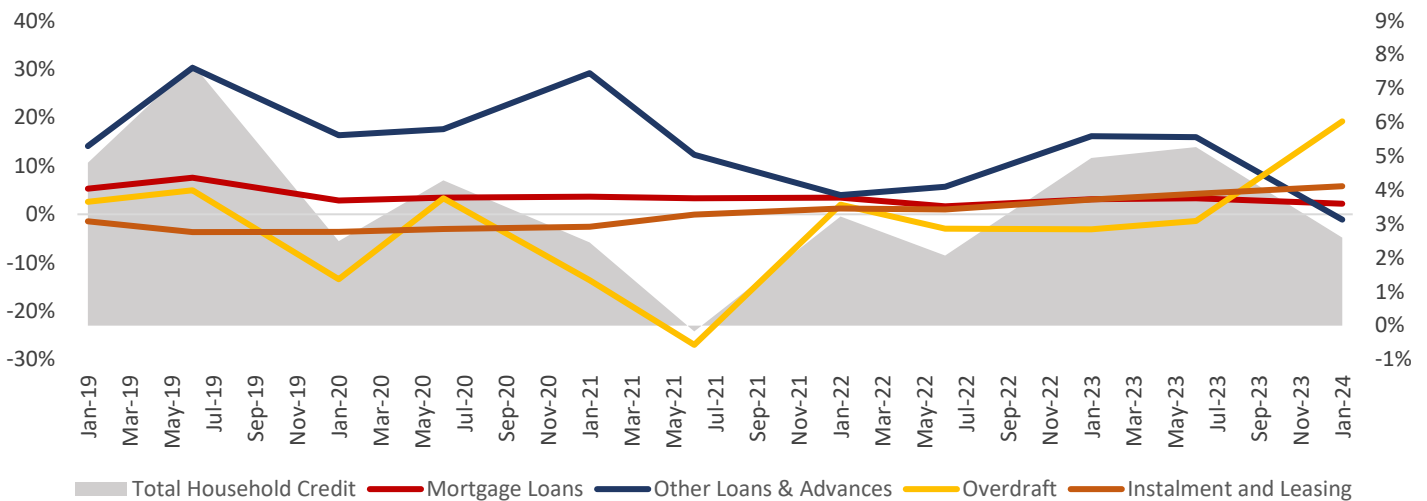


Source: Bank of Namibia, HEI Research

3. Household Credit Extension

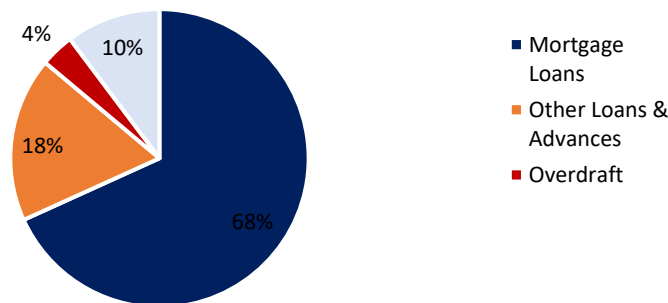
Household credit slowed by 0.3% in January 2023 compared to 0.4% in December 2024, the sluggish growth in January 2024 stemmed from lower demand reflected in mortgage credit and other loans and advances during the period under review. Furthermore, Growth in household credit was largely attributed to Overdrafts. Annual credit growth extended to households tilted down to 2.6% at the end of January 2024, from 3.0% reported in December 2023. Therefore, households' net borrowing decreased, compared to November of exhibiting net repayors. The amount outstanding by households remains high and is driven by continued demand for Overdrafts (up year on year 19.2%), Mortgage loans (up year on year 2.2%), and Other loans and Advances (down year on year by 1.1%).

Figure 6: Corporate Sector Credit Extension Year-on-Year % Growth Rates



Source: Bank of Namibia, HEI Research

Figure 7: Credit Extended to the Corporate Sector by Category in Percentage



Source: Bank of Namibia, HEI Research

4. Money Supply and Reserves

Money supply increased by 10% year on year in January 2024 compared to 10.7%. On a monthly basis decreased by 0.8% to N\$ 142,623 million from N\$143,799 million. International reserves increased to N\$ 55.8 billion from N\$55.9 billion in December 2023, contributed by a decrease in domestic currency, tourism increase and increase from SACU receipts.

Table 1: Money Supply and Reserves

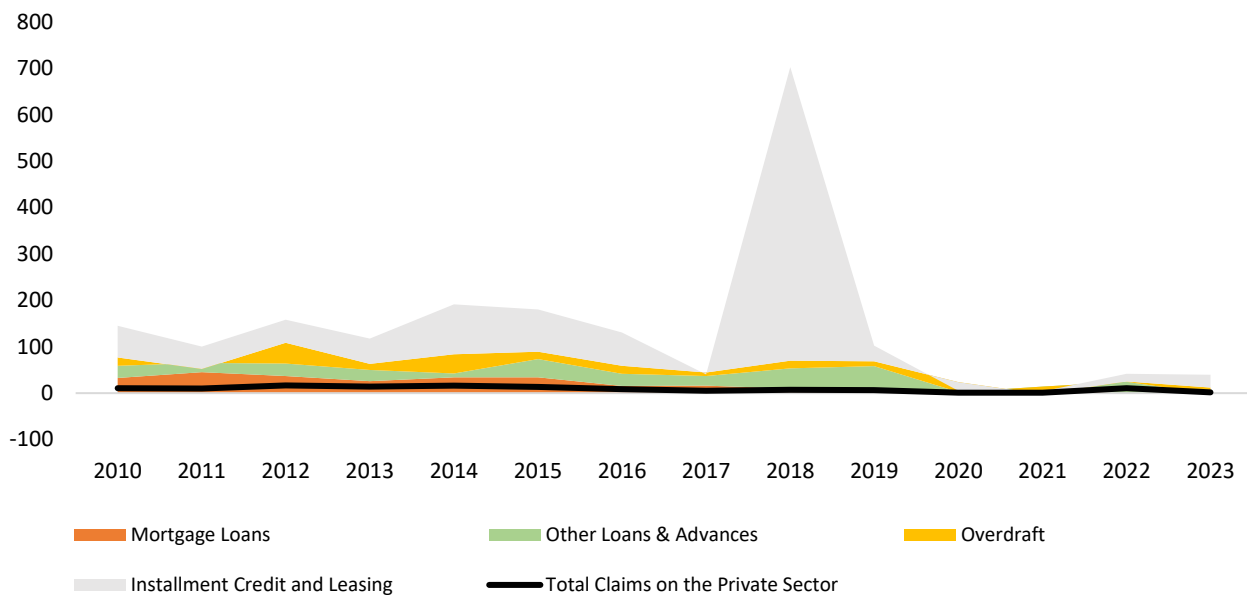
	Nov-23	Dec-23	Jan-24	m/m %
International reserves	50602.4	54858.1	53198.6	-0.03025
Broad Money Liabilities	142358.3	143799.6	129696.6	-0.8179

Source: Bank of Namibia, HEI research

5. PSCE Outlook

PSCE growth trending in the negative territory for the last 14 years, together with inflationary pressures signal tight financial conditions in the economy. Low PSCE growth indicates that the private sector is not taking up credit to expand economic activity which is a concern. Data depicts that credit is expensive and there is a high probability business may be utilizing other sources of credit at lower interest. Repo rate levels have paced inflation rates resulting in high repo rates, depicting a contractionary monetary economy with a decrease in the supply of money in the economy. We predict that the MPC might start cutting rates in the second half of 2024 if the inflation rate in South Africa reaches the midpoint of the target range. For this reason, we anticipate that credit uptake will remain subdued until there is a reduction in interest rates, leading to a cut in the repo rates and subsequently a lower prime rate

Figure 8: PSCE Trend

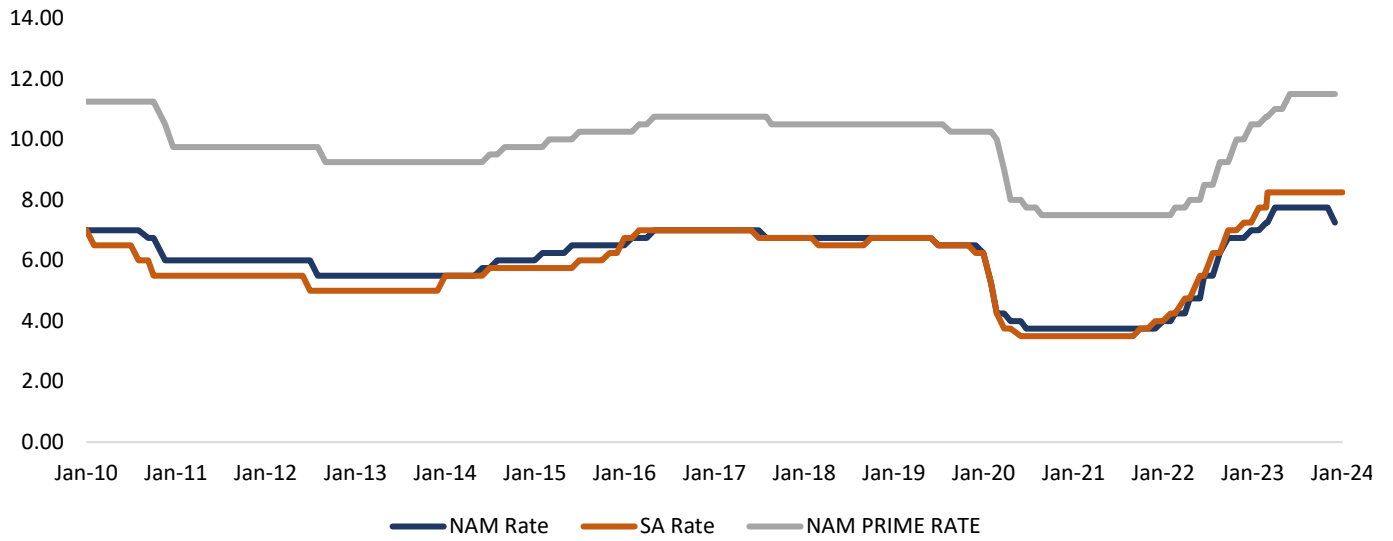


Source: Bank of Namibia, HEI research

Figure 9: Namibia Inflation



Source: Bank of Namibia, HEI research



Source: Bank of Namibia, HEI research

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