

PSCE

February 2024

1. Overview

On a monthly basis credit extended to the private sector decreased by 0.13%. On a cumulative basis, a total of about N\$ 121,056 million was extended to the private sector of which Household Credit accounted for 59% and Business Credit accounted for 41%. Private sector credit (PSCE) grew annually by 1.8% in February 2024 compared to the 2.4% annual growth recorded in January 2024, slow growth in credit demand was attributed by lower demand from both the households and corporates coupled with repayments by the corporate sector specifically those in the mining, transport, fishing as well as wholesale and retail trade. Corporate credit grew annually by 0.6%. In contrast, Household credit appetite decreased in February by 2.4% annually.

Table 1: Private Sector Credit Extension Overview

Category	N\$ Millions Outstanding	Change in Millions		% Change	
		m/m	y/y	m/m	y/y
Businesses	46,248.1	-224.0	255	-0.5%	0.6%
Households	66,916.3	88.0	1586	0.13%	2.4%
Mortgages Loans	59,216.4	-39.2	499.5	-0.1%	0.9%
Other Loans & Advances	28,636.3	171.6	107.4	0.6%	0.4%
Overdrafts	12,931.9	-408.9	-202.3	-3.1%	-1.5%
Instalment and Leasing	12,379.8	140.6	1,443.5	1.1%	13.2%

Source: BoN, HEI Research

Figure 1: Private Sector Credit Extension by Category

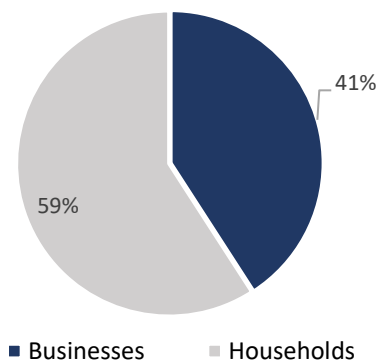
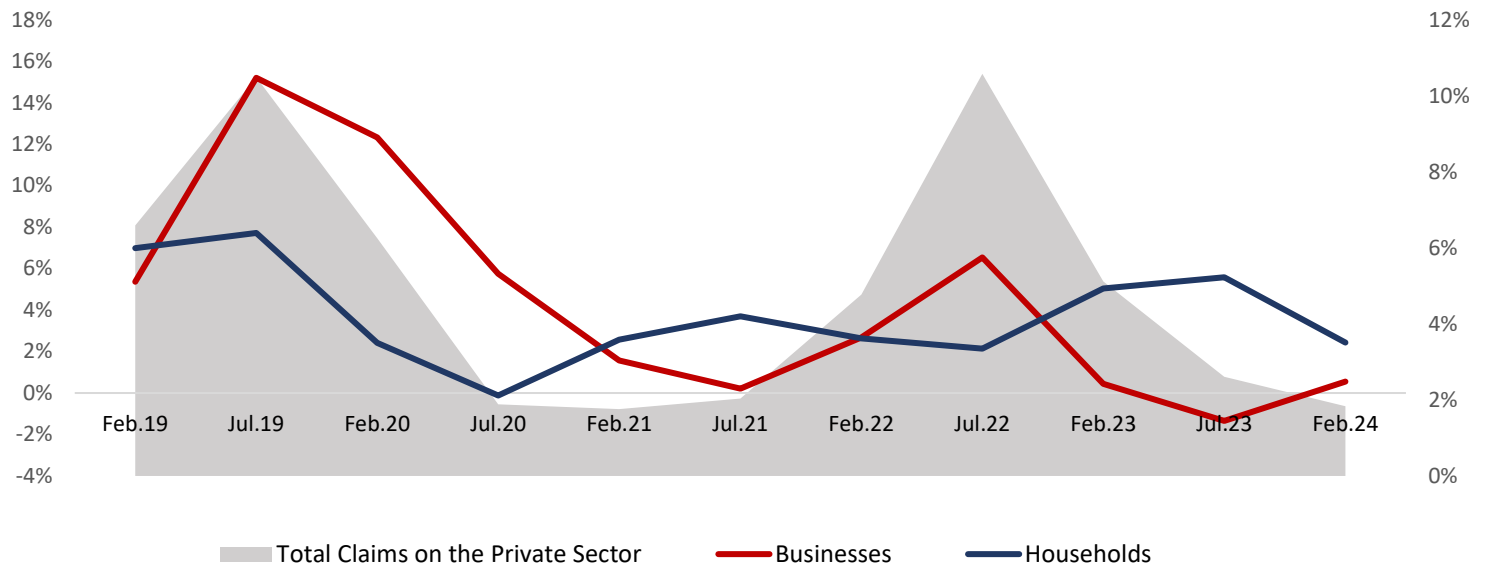


Figure 2: Private Sector Credit Extension Year-on-Year % growth rates



Source: Bank of Namibia, HEI Research

As of February 2024, mortgage loans account for 52.3% of total credit extended, while other loans and advances made up 25%, overdrafts 12% and instalment credit 11%. Over the past year, mortgage loans grew by a meagre 0.9% year on year as at the end of February 2024, while instalment credit rose by 13.2% year on year, overdrafts decreased by 1.5% year on year and other loans and advances remained steady year-on-year growing by 0.4%.

Figure 3: Private Sector Credit, by Sector distribution January 2024

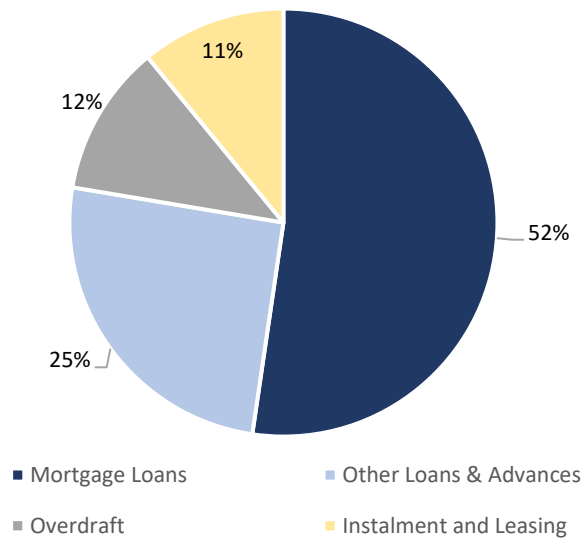
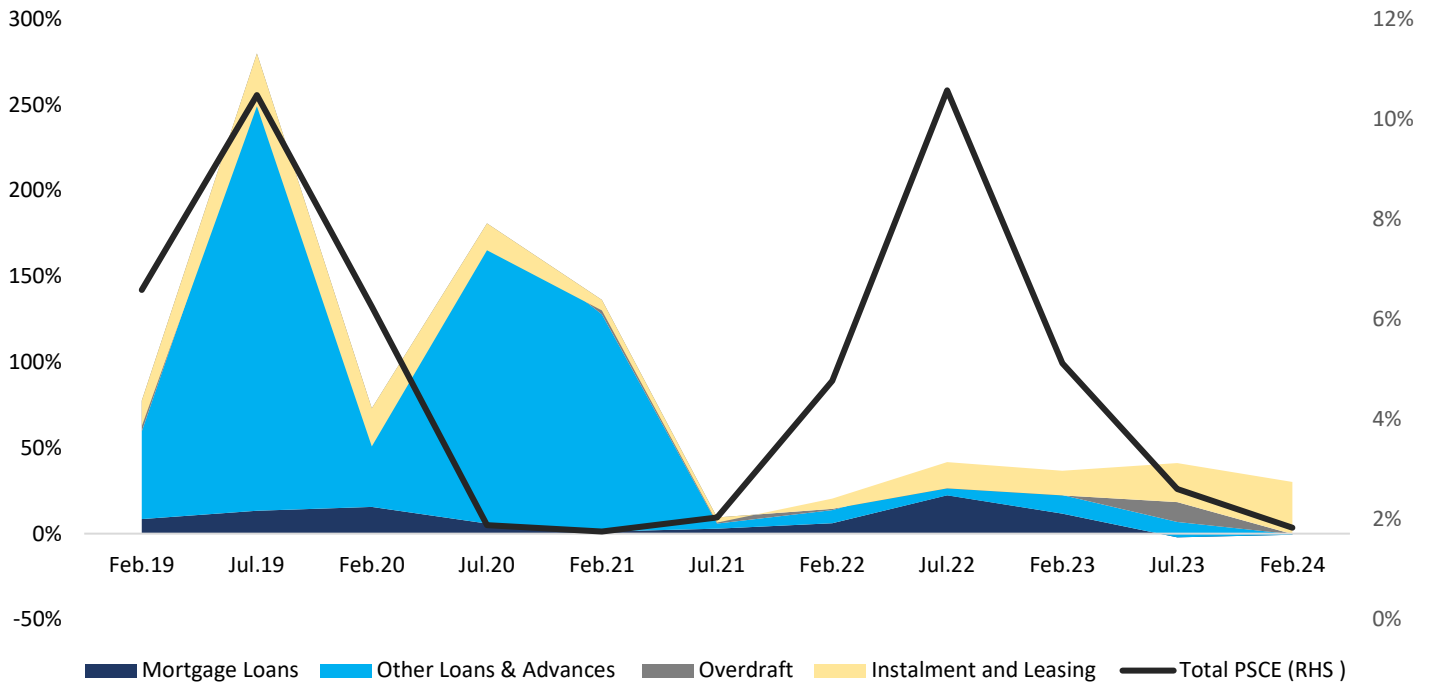


Figure 4: Private Sector Credit Extension Year-on Year % growth rates



Source: Bank of Namibia (BoN), HEI Research

2. Corporate Credit Extension

In February 2024, corporate credit rose by 0.6% annually slower than the 2.1% annual increase in January 2024. Annual growth was attributed by growth of 24.2% year on year in instalment and leasing credit. On a monthly basis credit decreased by 0.48% from 1.1% in January 2024. Bank of Namibia (BoN) stated that the decrease in February 2024 was on the back of a lower demand by corporates in the mining, fishing, wholesale and retail trade and transport sectors. The Corporate sector presented a better pace of repayments monthly than January 2024 with their Mortgage Loans (up 0.04%), Other Loans and Advances (up 0.67%), Overdrafts (down 4.16%) and Instalment and Leasing (up 1.82%).

Figure 5: Credit Extended to the Corporate Sector by Category in Percentage

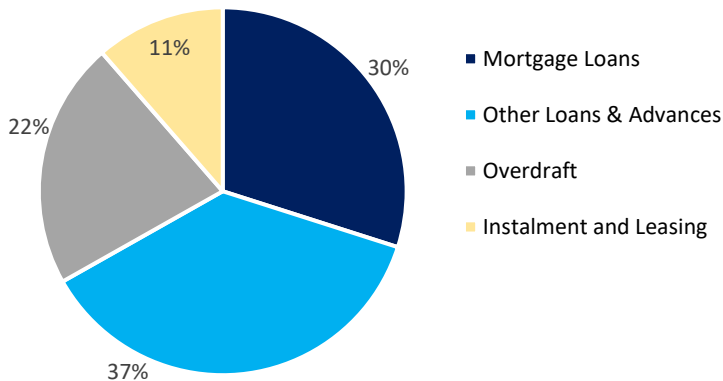
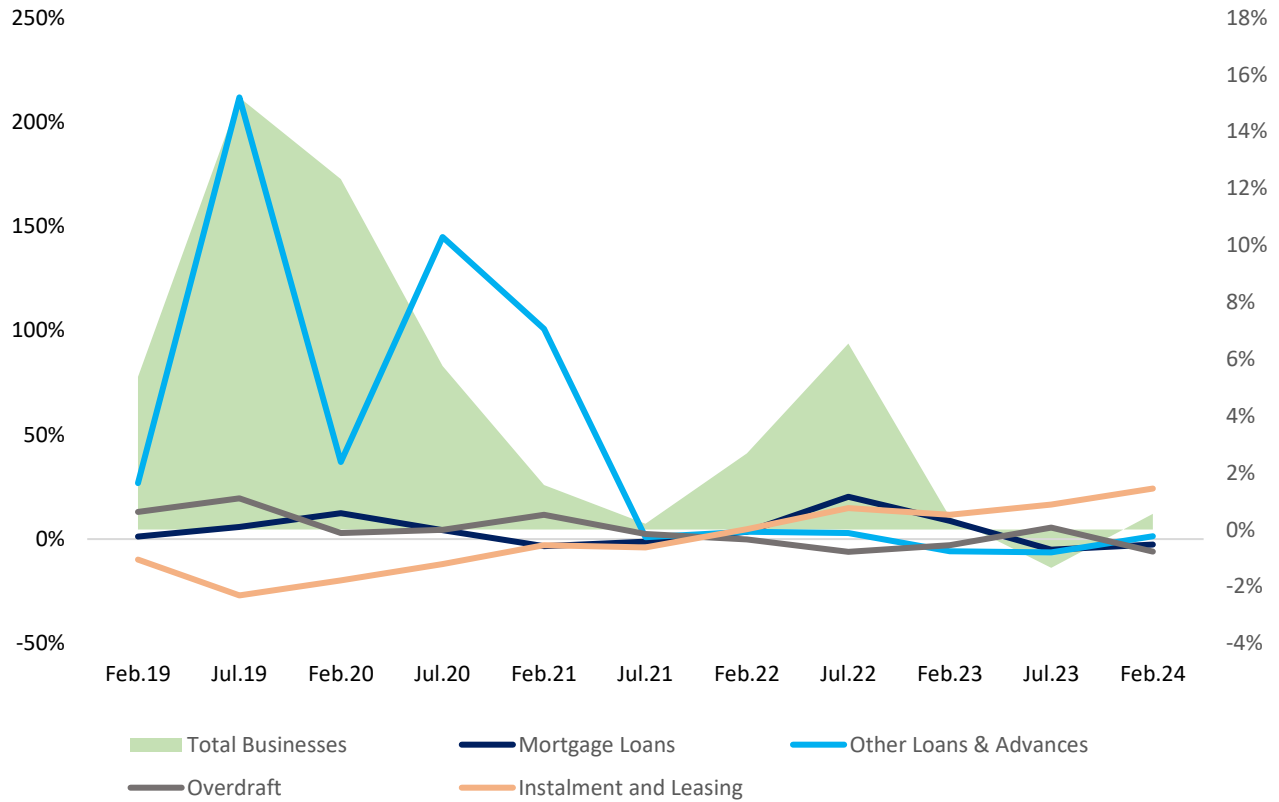


Figure 6: Credit Extended to the Corporate Sector by Category Year-on-Year % growth rate



Source: Bank of Namibia, HEI Research

3. Household Credit Extension

Household credit slowed by 2.4% in February 2024 compared to 2.6% recorded in January 2024 year on year, slow growth in February 2024 stemmed from lower demand for overdraft and mortgage credit as well as other loans and advances. Furthermore, growth in household credit was largely attributed by an in Overdrafts of 18.5% increase year on year. Monthly credit extended to households tilted up to 0.13%, from 0.3% reported in January 2024. This resulted in a decrease in, households net borrowing, compared to January 2024 exhibiting higher borrowing. The amount outstanding by households was moderate for February 2024 and was driven by continued demand for Overdrafts (up 0.98% m/m from 4.9% in January 2024), Mortgage loans (down 0.1% m/m remained the same for January 2024), and Other loans and Advances (up 0.5% m/m from 0.4% in January 2024).

Figure 7: Credit Extended to the Corporate Sector by Category %

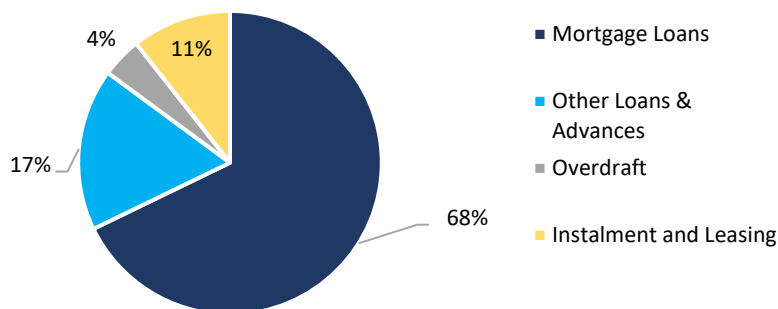
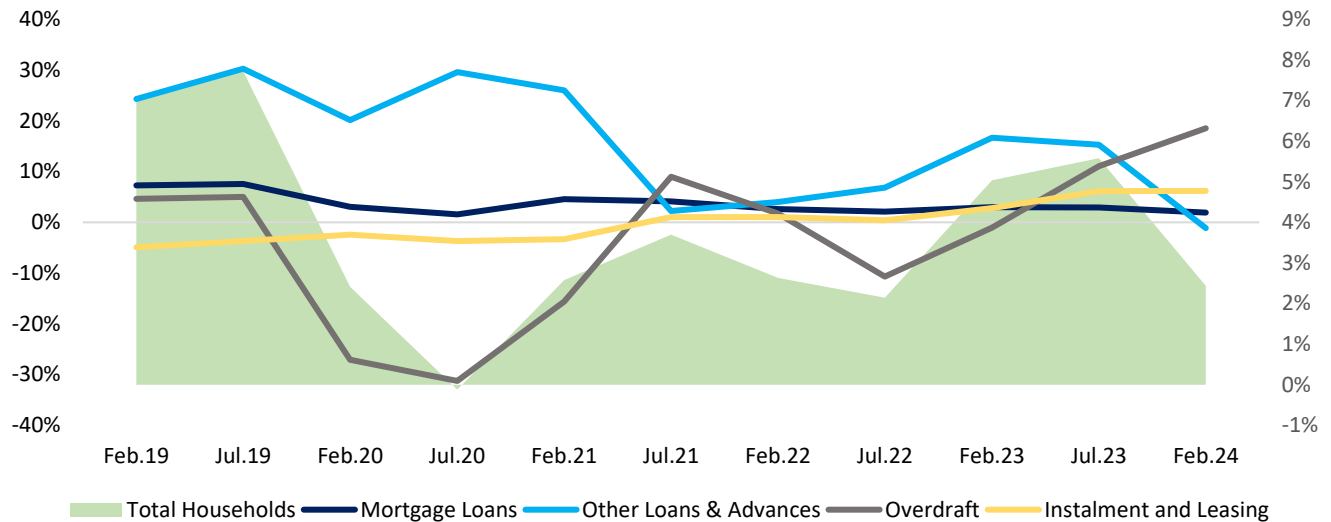


Figure 8: Corporate Sector Credit Extension Year-on-Year % Growth Rates



Source: Bank of Namibia, HEI Research

4. Banking liquidity, Money Supply and Reserves

The overall liquidity position of the banking industry decreased in February 2024. The industry’s cash balances decreased to N\$5.2 billion in February 2024, from N\$6.2 billion recorded in January 2024. The 16% decrease in the market liquidity levels was in line with lower diamond sales as well as the commercial bank outflows for payments and investments purposes.

The Bank of Namibia’s stock of international reserves decreased at the end of February 2024. The stock of international reserves declined marginally by 0.7 % month-month to N\$55.4 billion at the end of February 2024. The fall was on the back of higher net commercial bank outflows coupled with government payments. The foreign reserves translated into 3.9 months of import cover, continuing to remain above the international benchmark of 3.0 months and adequate to support the Namibia Dollar and the South African Rand currency peg. Notably, the import cover excluding imports of oil exploration and appraisal activities stood at 4.4 months at the end of February 2024, relative to the 4.5 months recorded at the end of January 2024.

Table 2: Money Supply and Reserves

	Nov-23	Dec-23	Jan-24	Feb-24	m/m
International reserves	50,602.40	54,858.10	55,793.00	55,392.00	-0.7%
Broad Money Liabilities	142358.30	143799.60	142623.00	143277.00	0.5%

Source: Bank of Namibia, HEI research

5. PSCE Outlook

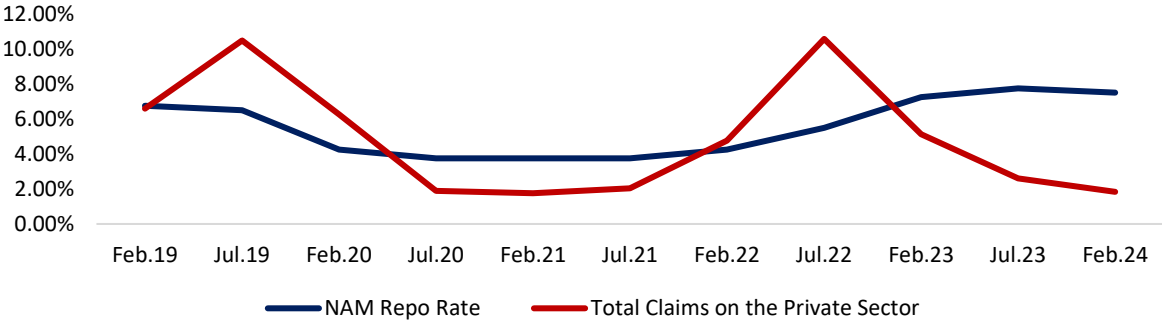
PSCE growth trending in the negative territory for the last 14 years, together with inflationary pressures signal tight financial conditions in the economy. Low PSCE growth indicates that the private sector is not taking up credit to expand economic activity which is a concern. Data depicts that credit is expensive and there is a high probability businesses' may be utilizing other sources of credit at lower interest such a private investment.

Furthermore, the Federal reserve Bank has made the decision to hold interest rates unchanged at 5.43%, on the Friday 18 March 2024, US consumer price index and personal consumption expenditure rose for both January and February 2024. Fed Chair Jerome Powell thinks this data is just further proof of inflation's nonlinear path downwards.

In contrast the South African Reserve Banks' monetary committee has decided to maintain interest rates unchanged at 8.25% on Wednesday 27 March 2024. SARB Governor Lesetja Kganyago expectations are projected to ease towards the 4.5% inflation.

The Bank of Namibia's Monetary Policy Committee will release the updated MPC decision on the 17 April 2024. We predict that the MPC will maintain rates unchanged at 7.75% and we predict 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.

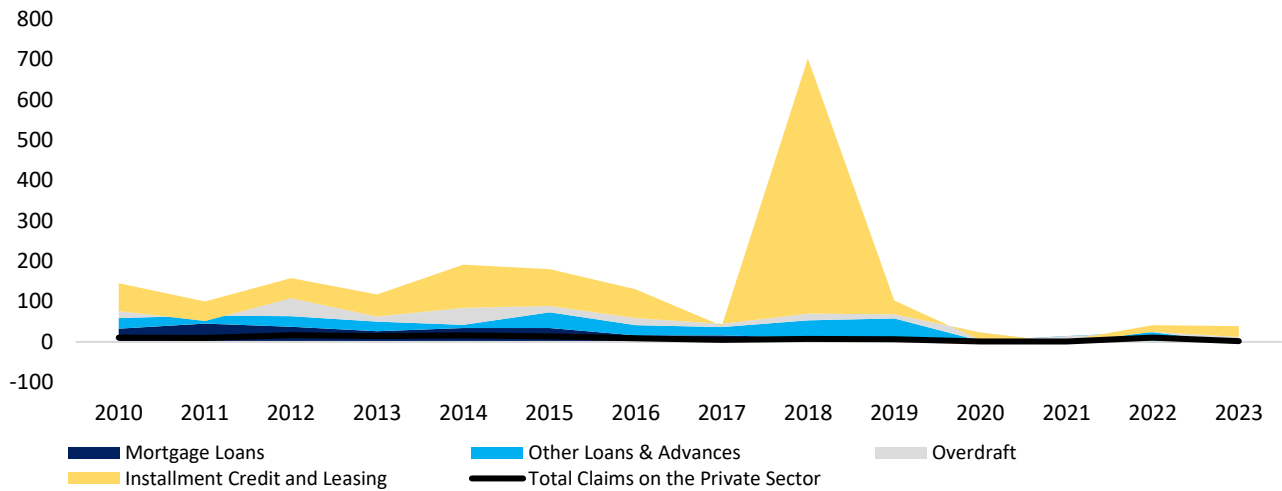
Figure 9: Namibia repo rate and PSCE % change Year on Year



Source: BoN, HEI Research

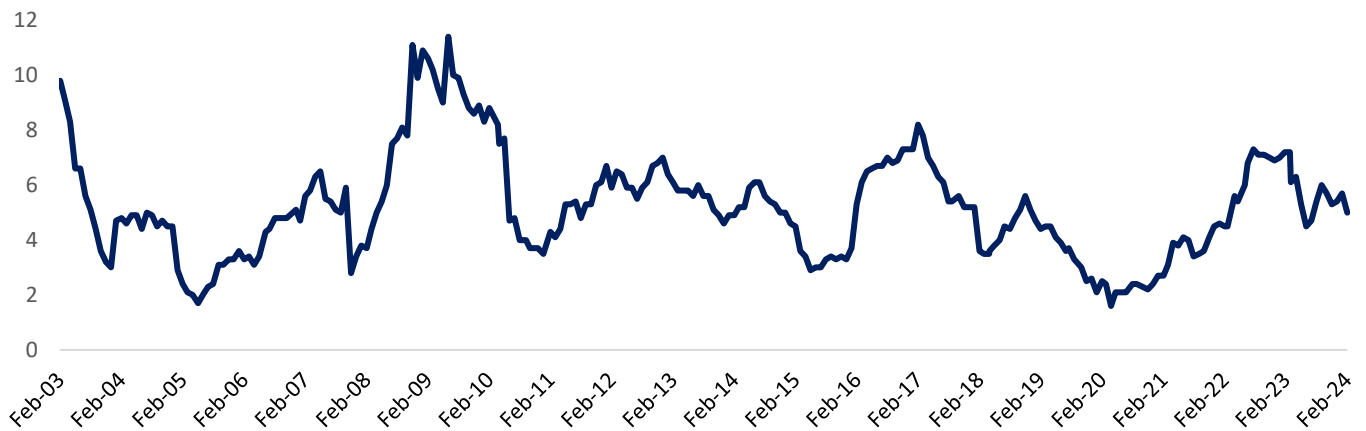
Repo rate levels have paced inflation rates resulting in high real interest rates, depicting a contractionary monetary economy with a decrease in the supply of money in the economy. The repo rate has increased by 400 basis points since the onset of the hiking cycle, reaching 7.75% its highest level since April 2009, although still relatively low by historical standards.

Figure 10: PSCE Trend Year on Year % change



Source: Bank of Namibia, HEI research

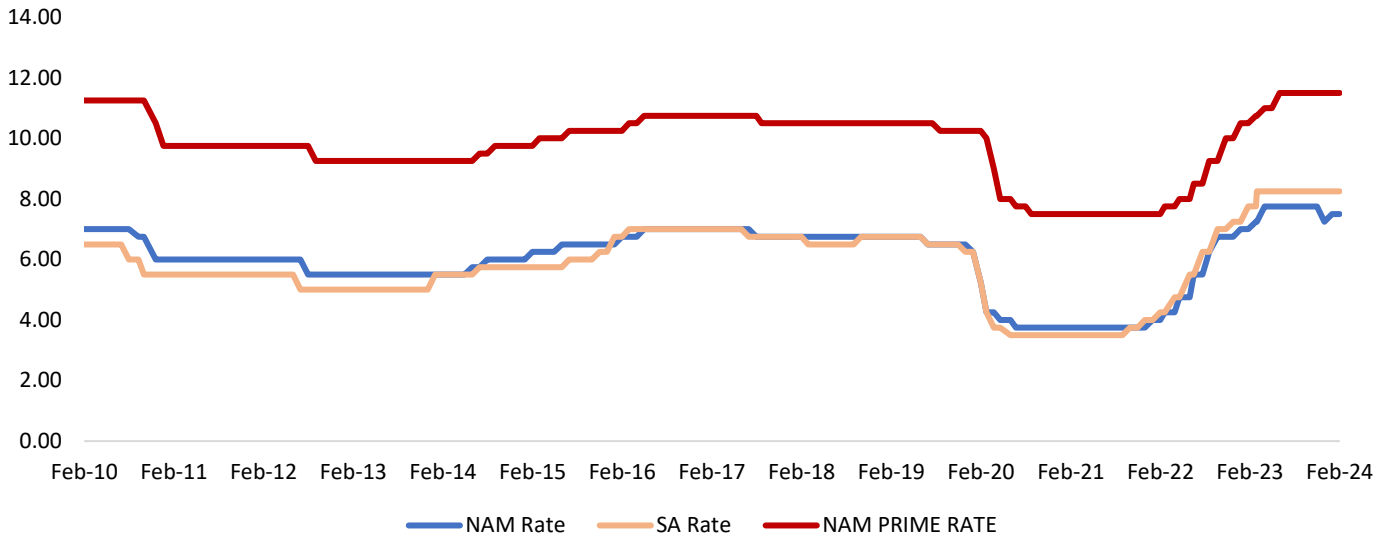
Figure 11: Namibia Inflation



Source: Bank of Namibia, HEI research

Headline inflation increased in February 2024. Namibia’s monthly inflation rate stood at 5.0 percent in February 2024, lower than 5.4 percent recorded in January 2024. The decrease in inflation is mainly ascribed to a decline in the inflation for food and nonalcoholic beverages and housing.

Figure 12: Nam rates Compared to SA rates



Source: Bank of Namibia, HEI research

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