

PSCE

March 2024

1. Overview

On a monthly basis credit extended to the private sector decreased by 0.42%. On a cumulative basis, a total of about N\$ 120,560 million was extended to the private sector. Households making up 59% and Business making up 41% of total credit extended (see Figure1). Private sector credit (PSCE) grew annually by 1.5% in March 2024 compared to the 1.7% annual growth recorded for February 2024. Monthly slow growth in credit demand was attributed by lower demand and net repayments from both the households and corporate sectors. Business credit slowed annually by 0.1% in March 2024 from 0.6% in February 2024. In Contrast, household credit appetite decreased in March decreasing by 2.2 % annually from 2.4% in February 2024. Overall, March 2024 saw a general slowdown in credit growth and demand across both the household and business sectors (see Figure 1, 2 and 4).

Figure 1: Private Sector Credit Extension by Category

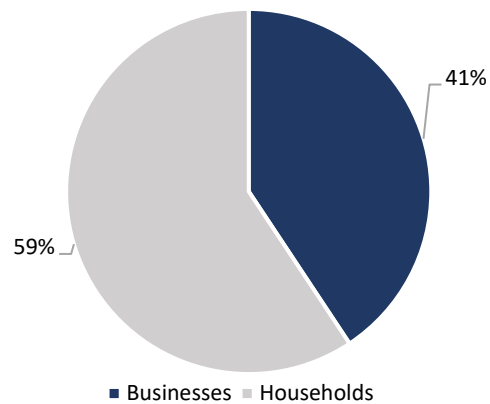
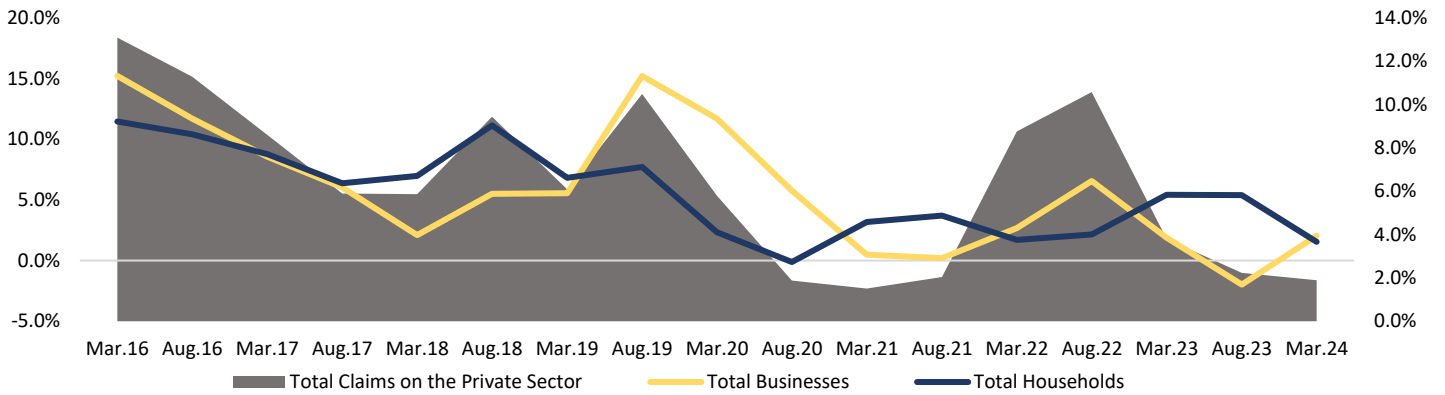


Table 1: Private Sector Credit Extension Overview

Category	N\$ Millions Outstanding	Change in Millions		% Change	
		m/m	y/y	m/m	y/y
Businesses	45,843.8	-410	25	-0.89%	0.1%
Households	66,848.4	-69	1,418	-0.10%	2.2%
Mortgages Loans	58,982.1	-235	468.49	-0.40%	0.8%
Other Loans & Advances	28,444.4	-191	104.71	-0.67%	0.4%
Overdrafts	12,805.2	-132	32.65	-1.02%	0.3%
Instalment and Leasing	12,460.4	80	1,315.72	0.64%	11.9%

Figure 2: Private Sector Credit Extension YoY% growth rates



Source: Bank of Namibia, HEI Research

(Figure 2) shows that over the past six months from August 2023 and March 2024, growth rate of Credit extended to businesses have peaked above the Total Claims on the Private sector growth rate indicating a high demand for credit by the business category, Furthermore, household credit growth has indicated a downward trajectory during the same period. Over the past year, mortgage loans slowed to a meager 0.8% year on year as at the end of March, while instalment credit grew slower at 11.9% year on year, overdrafts grew by 0.3% year on year and other loans and advances remained steady year on year growing by 0.4%. As of March 2024, mortgage loans accounted for 52.3% of total credit extended, while other loans and advances made up 25%, overdrafts 12% and instalment credit 11% (see Figure3)

Figure 3: Private Sector Credit Percentage Share March 2024

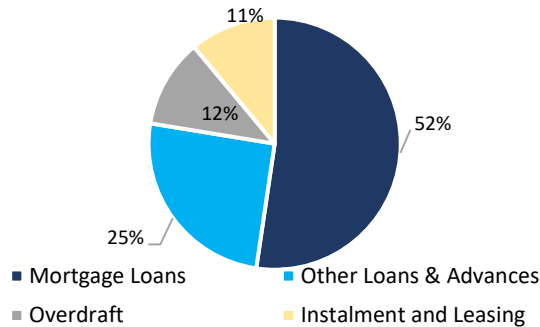
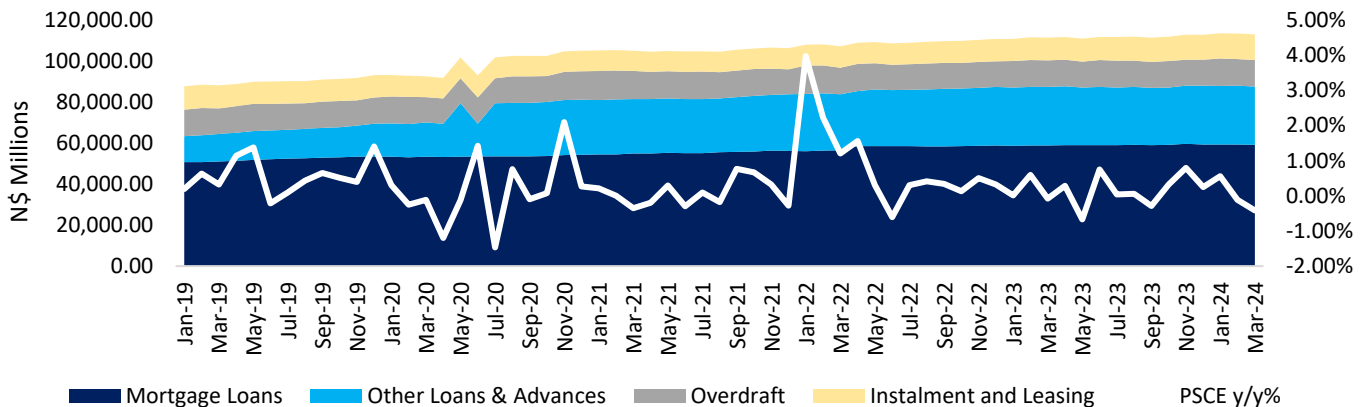


Figure 4: Private Sector Credit Extension Year-on Year % growth rate



Source: Bank of Namibia (BoN), HEI Research

2. Business Credit Extension

In March 2024, corporate credit grew by 0.1% annually slower than the 0.6% in February 2024. Annual growth was attributed by the growth of 22.9% year on year in instalment and leasing credit. On a monthly basis credit extended decreased by 0.89% from 0.49% in February 2024. Bank of Namibia stated that the decrease in the growth of credit advanced to businesses was on account of lower demand and repayments by corporates in the wholesale and retail trade, manufacturing as well as the financial services sectors. The Corporate sector presented a better pace of repayments monthly in March 2024 with their Mortgage Loans (contracting 1.69%), Other Loans and Advances (contracting 1.09%), Overdrafts (contracting 0.93%), and Instalment and Leasing (expanding 1.98%). (see Figure 6)

Figure 5: Percentage Share of Credit Extended to the Business Sector by Category

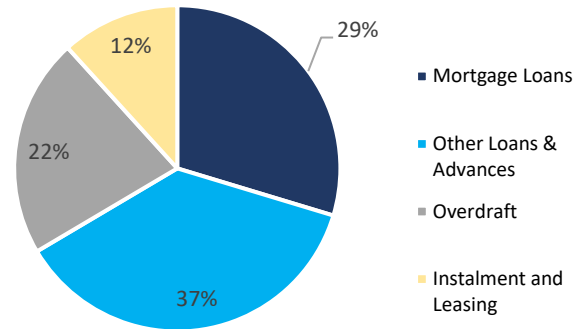
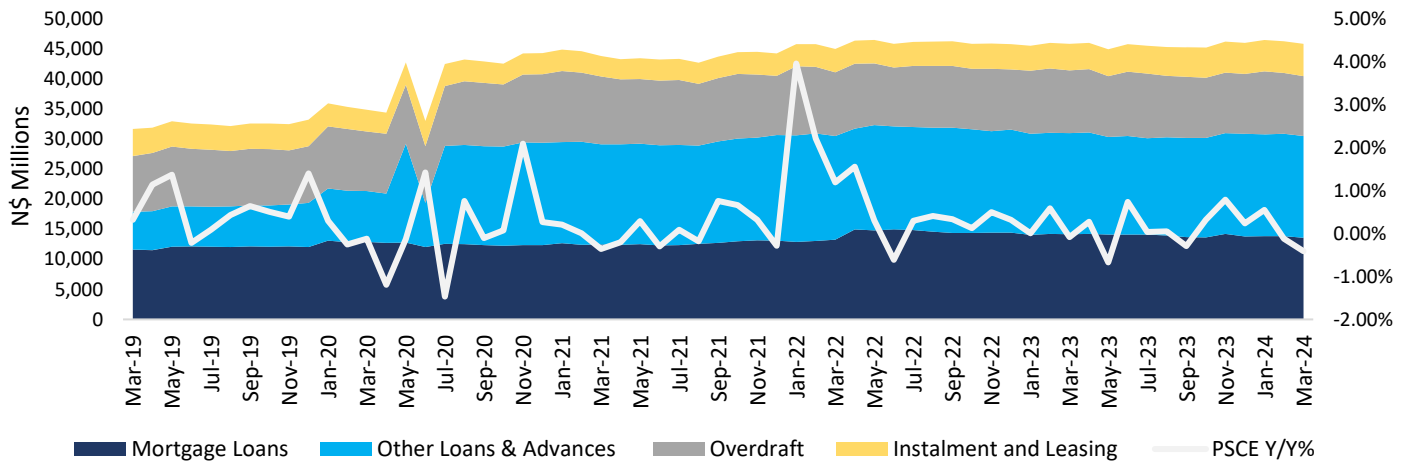


Figure 6: Credit Extended to the Business Sector by Category Year-on-Year % Growth rate



Source: Bank of Namibia, HEI Research

3. Household Credit Extension

Household credit moderated to 2.2% in March 2024 compared to the growth of 2.4% in February 2024 year on year. The moderation in March 2024 stemmed from lower demand and net repayments in all the credit categories. Monthly credit extended to households decreased to 0.10%, from 0.13% reported in February 2024. Therefore, households net borrowing decreased, compared to February 2024. Overdrafts (contracted -1.34% m/m from 0.98% in February 2024), Mortgage loans (unchanged in March 2024) and Other loans and Advances (down 0.04% m/m from 0.5% in February 2024) and Instalment and leasing (down 0.31%). Despite Household depicting net repayments in March, Overdraft growth is trending upward, indicating that individuals are borrowing more money than they have available in their bank accounts. (see Figure 8 and 9)

Figure 7: Percentage Share of Credit Extended to the Household Sector by Category

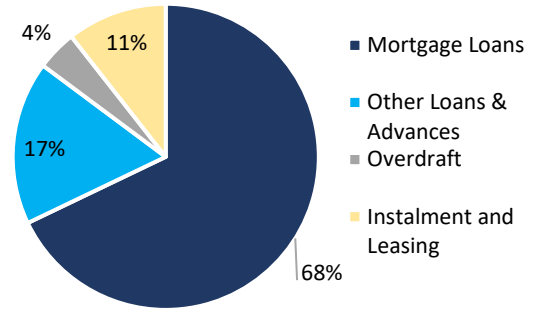
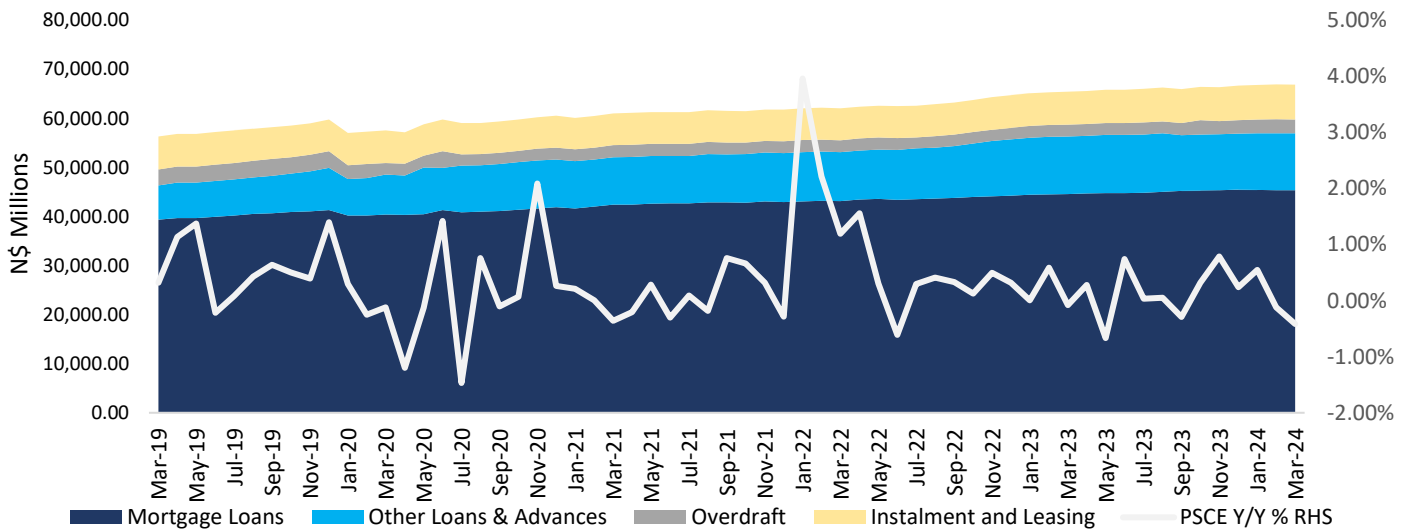
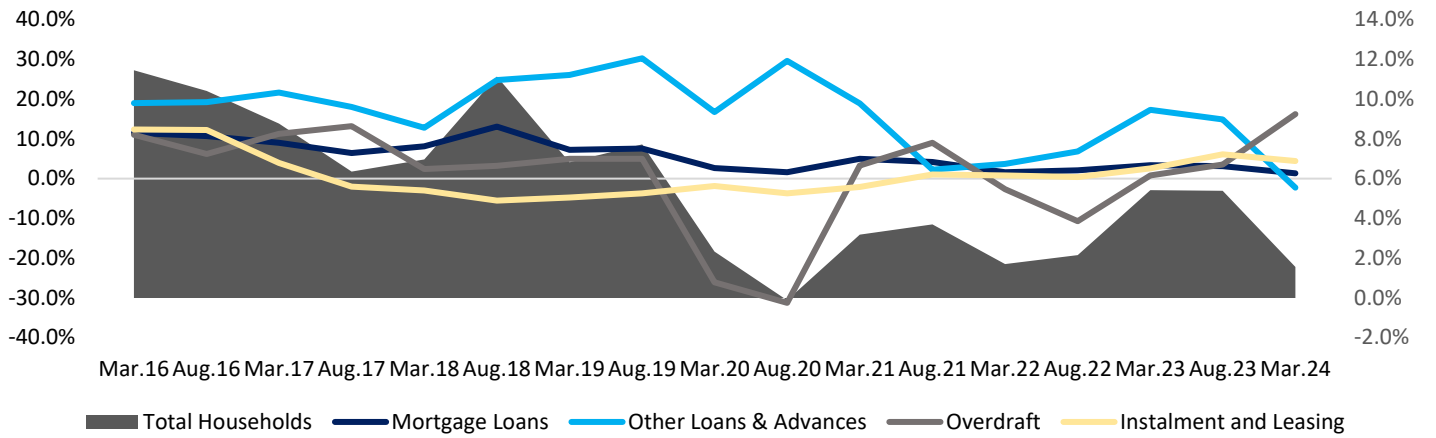


Figure 8: Household Sector Credit Extension Year-on-Year % Growth Rates



Source: Bank of Namibia, HEI Research

Figure 9: House hold Credit Extension YoY% growth rates

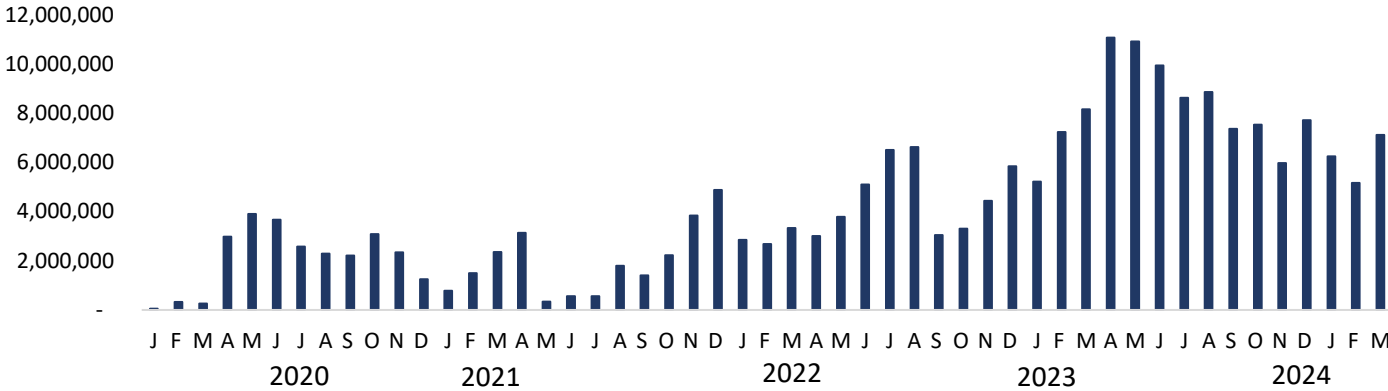


4. Banking liquidity, Money Supply and Reserves

The industry’s cash balances increased to N\$7.1 billion in March 2024, from N\$5.2 billion posted in February 2024. The observed increase in liquidity is mainly on the back of diamond sales as well as increased government expenditure.

The Bank of Namibia’s stock of international reserves decreased at the end of March 2024. The stock of international reserves declined marginally by 2% month-month to N\$54,2 billion at the end of March 2024. The decrease stemmed from higher net commercial bank outflows on account of higher imports and portfolio outflows over the month, coupled with increased government payments. The foreign reserves translated into 3.8 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 4.3 months at the end of March 2024, relative to the 4.4 months recorded at the end of February 2024.

Figure 10: Banking Liquidity year on year in N\$ Millions



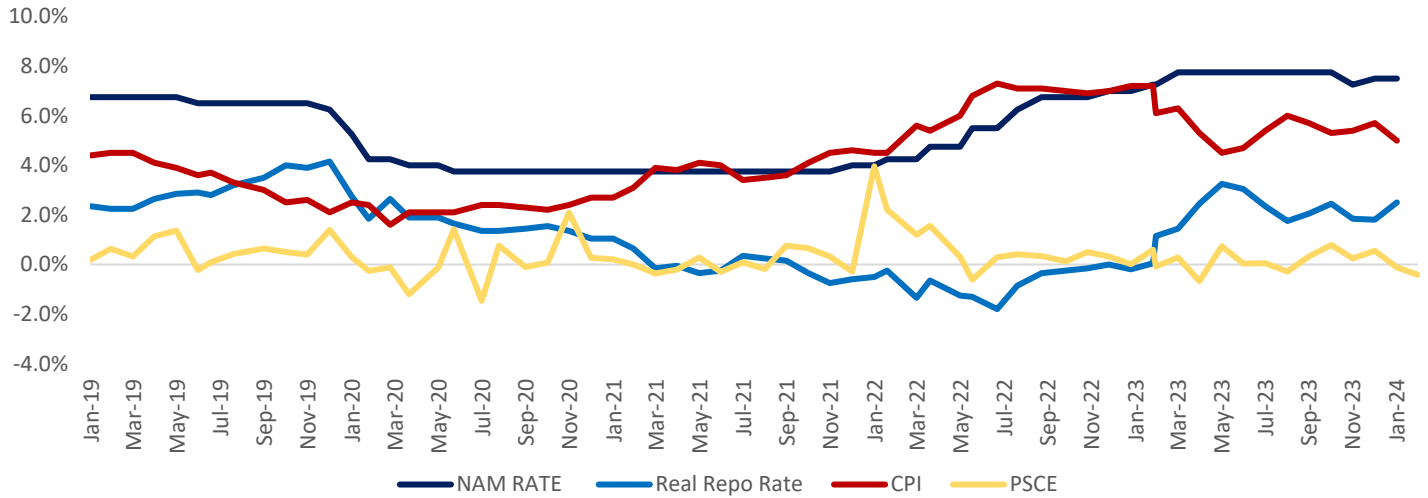
Source: Bank of Namibia, HEI research



5. PSCE Outlook

PSCE growth has been in contraction for the last 3 months in 2024 (see Figure9), coupled with global inflationary pressures which signal tight financial conditions in the global economy. In March 2024 annual headline inflation decelerated to 4.5% in March 2024, which is lower than 5.0 % recorded in February 2024. The moderation in inflation is mainly ascribed to a decline in the inflation for food, transport and housing during the period under review. We predict that the growth of the PSCE will remain subdued in the short to medium term.

Figure 11: Namibia repo rate and PSCE % year on year



Source: BoN, HEI Research

PSCE TEAM



Monika Kristof	Senior Economist	monika@hei.com.na
Asnath Tjzongoro	Equity Research Analyst	asnath@hei.com.na
HEI office		info@hei.com.na



15 Garten Street | Ausspannplatz | Windhoek

P.O Box 24867 | Windhoek

+264 61 307 728

info@hei.com.na

www.hei.com.na

