

PSCE

APRIL 2024

1. Overview

On a monthly basis credit extended to the private sector grew by 0.43%. In real value, a total of about N\$ 121,077 million was extended to the private sector. Households made up 59% and Businesses made up 41% of total credit extended (see Figure1). PSCE grew annually by 1.65% in April 2024 compared to the 1.5% annual growth recorded for March 2024. Growth in credit demand was driven by the Business category. Business credit picked up annually by 0.6% in April 2024 from 0.1% in March 2024. In Contrast, Household credit appetite remained unchanged in April 2024 at 2.2% annually. Overall, April 2024 saw an uptick credit demand driven by the Business sector. (See Figure 1, 2 and 4).

Figure 1: Private Sector Credit Extension by Sector, April 2024

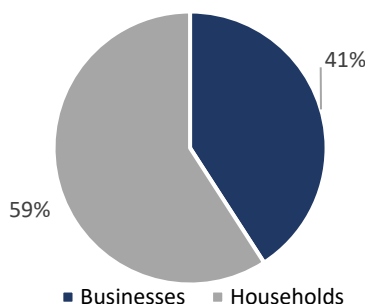


Table 1: Private Sector Credit Extension Overview

Category	N\$ Millions Outstanding	Change in Millions		% Change	
		m/m	y/y	m/m	y/y
Businesses	46,303.6	460	283.30	1.0%	0.6%
Households	67,002.9	154.5	1,452.7	0.2%	2.2%
Mortgages Loans	59,022.2	40.1	109.5	0.1%	0.2%
Other Loans & Advances	29,857.9	1,413.5	1,242.5	5.0%	4.3%
Overdrafts	11,780.8	-1,024.4	-1,211.2	-8.0%	-9.3%
Instalment and Leasing	12,645.6	185.1	1,595.1	1.5%	14.4%

Figure 2: Private Sector Credit Extension YoY% growth rates

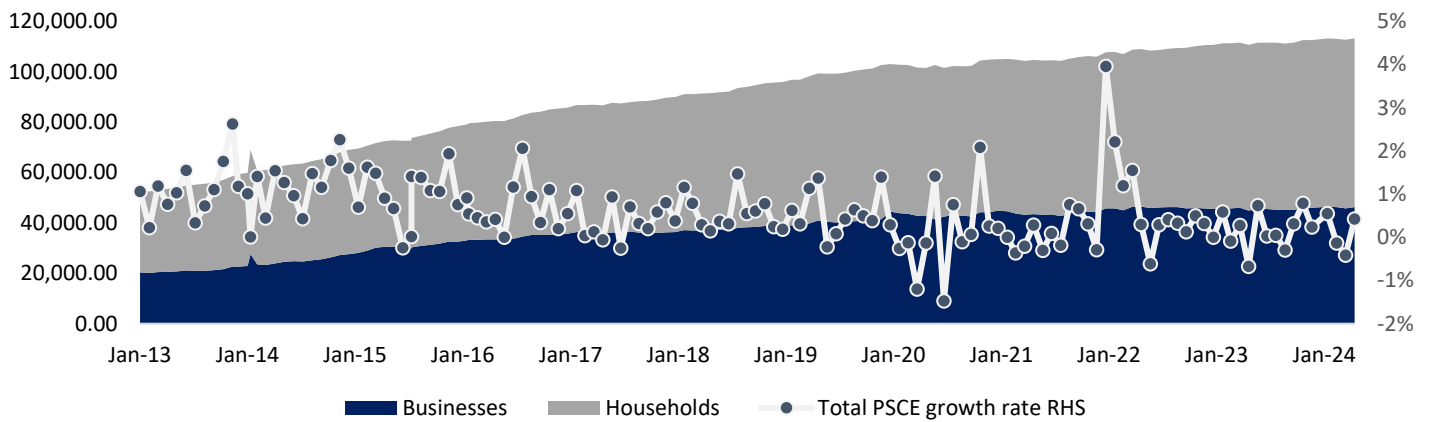
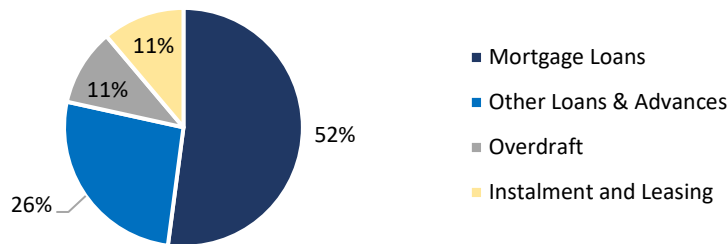
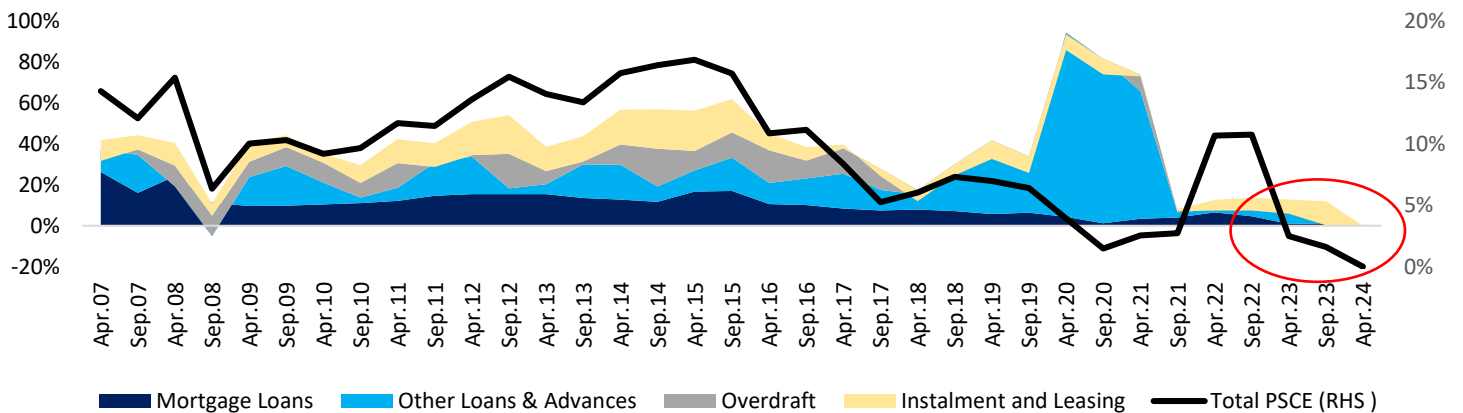


Figure 3: Private Sector Credit Percentage Share April 2024



As of April 2024, mortgage loans accounted for 52% of total credit extended, while other loans and advances made up 26%, overdrafts 11% and instalment credit 11% (see Figure3). This data indicates that mortgages dominate Namibia’s Private Sector Credit Extension. Over the past year, mortgage loans experienced a modest year on year growth of 0.2% at the end of April. In contrast, Instalment credit grew at 14.4% year on year, Overdrafts decreased 9.3% year on year and Other loans and Advances grew by 4.3% year on year. Since April 2023 Credit growth extended to the private sector has exhibited a negative trajectory, indicating consumer sentiment on less demand for credit. (See Table 1 and Figure4).

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



2. Business Credit Extension

In April 2024, credit extended to the Business sector grew by 0.6% annually, a slight uptick from the 0.1% in March 2024. Annual growth was attributed by an increase in demand for Instalment and leasing, and Other loans and advances (Instalment and leasing up 26.6 y/y and Other loans and advances up 8.3% y/y).

On a monthly basis, credit extended to Businesses grew by 1% in April 2024, recovering from a decline of 0.87% in March 2024. The Business category showed a positive trend in repayments for April 2024 across various loan types. Mortgage Loans expanded by 0.4%, Other Loans and Advances expanded by 8.1%, Overdrafts contracted by 11%, and Instalment and Leasing expanded by 1.98%. (See Figure 6)

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

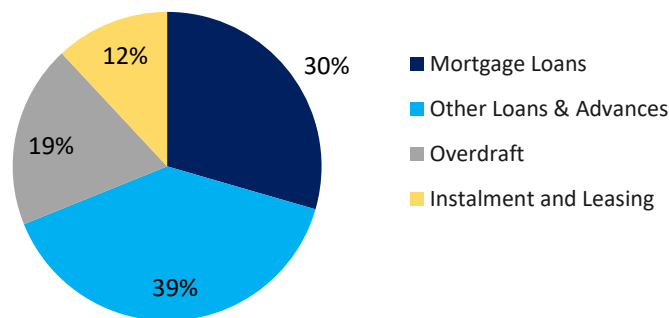
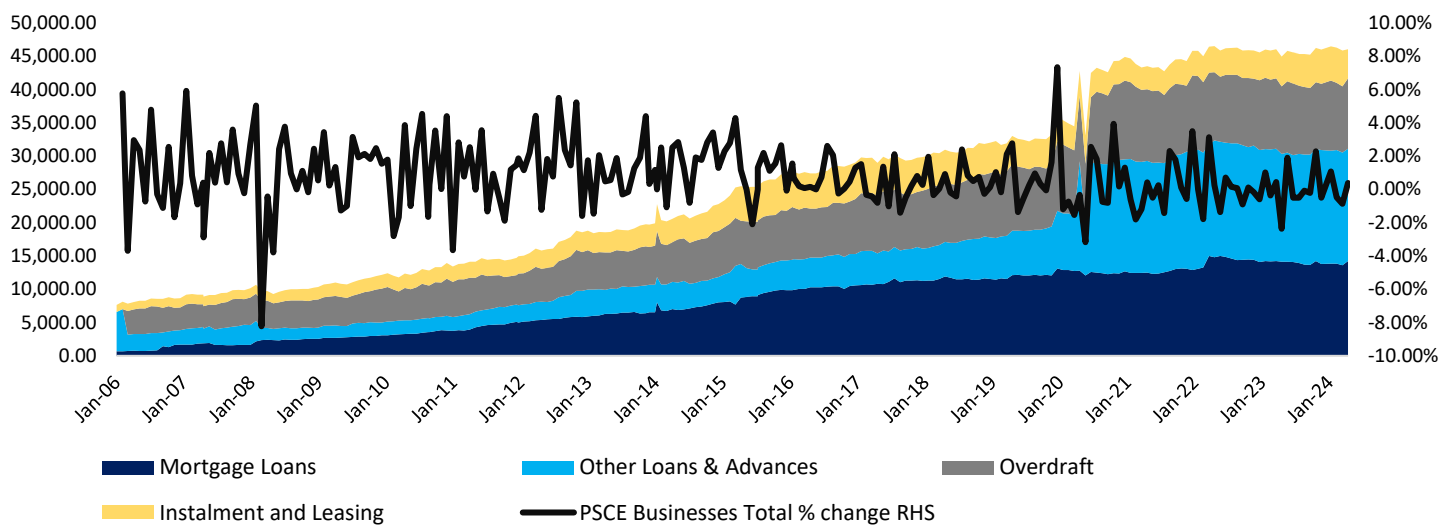


Figure 6: Credit Extended to the Business Sector by Category Year-on-Year % Growth rate



Source: Bank of Namibia, HEI Research

3. Household Credit Extension

Household credit maintained a steady growth rate of 2.2% in April 2024. The stagnant growth in April 2024, stemmed from slight improvements in categories such as Instalment and leasing, and Other loans and Advances, and Overdrafts offset by a decrease in mortgage loans. Annually mortgage loans grew by 1.6% in April 2024 from 1.8 in March 2024. This meager growth indicates that housing demand is slowing contributed by high housing prices and high interest rates.

As of April 2024, monthly credit extended to households increased by 0.2%, marking a turnaround from the negative growth of 0.1% reported in March 2024. This increase indicates a net borrowing rise among Households. Specifically, in April 2024, Overdrafts expanded by 0.5%, Mortgage loans contracted by 0.02%, Other loans and Advances expanded by 0.4%, and Instalment and leasing credit expanded by 0.5%. Year-on-year, Household overdrafts grew by 19% in April 2024, up from 16.3% in March 2024, signaling a concerning trend in Household indebtedness (refer to Figure 8 and 9) (See Figure 8 and 9)

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

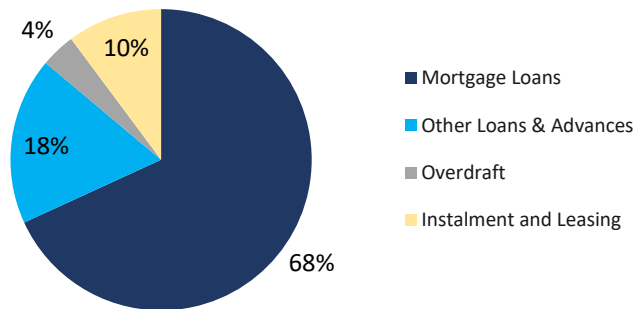
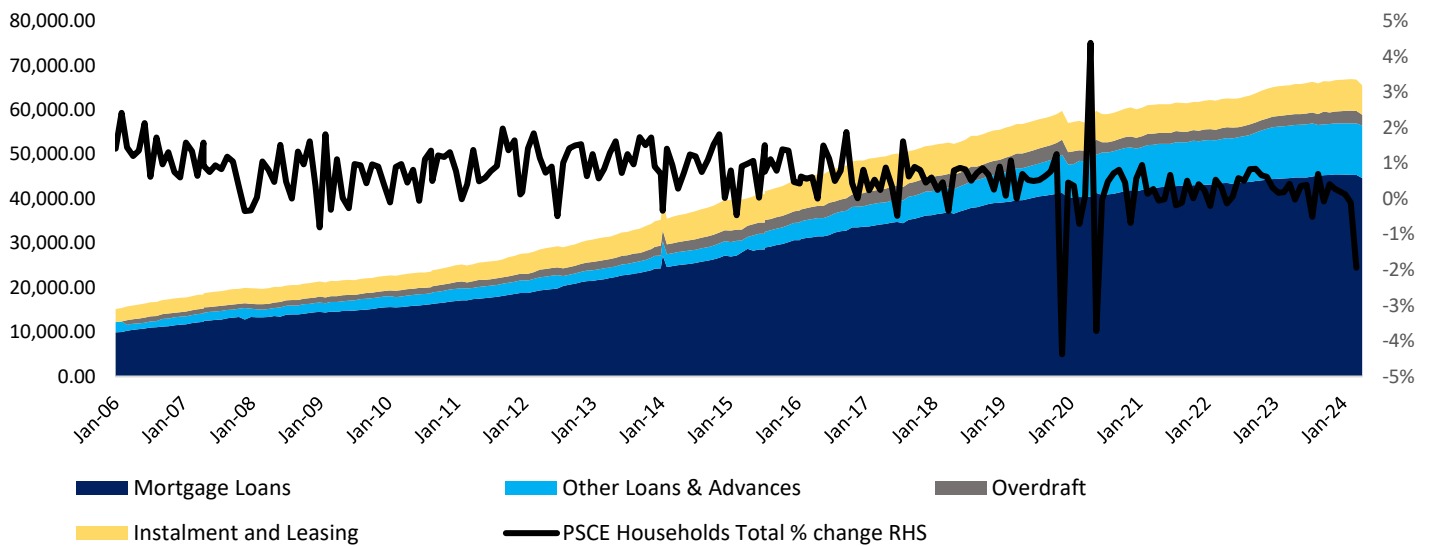


Figure 8: Household Sector Credit Extension Year-on-Year % Growth Rates



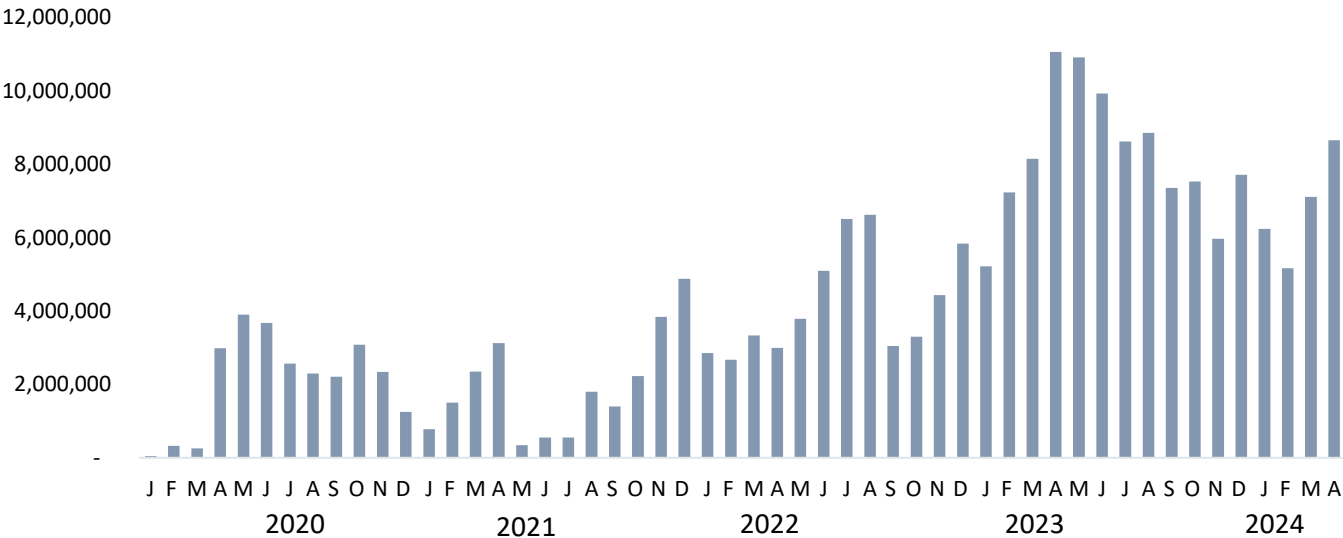
Source: Bank of Namibia, HEI Research

4. Banking liquidity, Money Supply and Reserves

The banking industry’s overall liquidity position increased further in April 2024. The industry’s cash balances rose to N\$8.6 billion in April 2024, from N\$7.1 billion posted in March 2024. The observed increase in liquidity was mainly attributed to diamond sales and increased government payments on local bonds during the period under review.

The Bank of Namibia’s stock of international reserves increased at the end of April 2024. The stock of international reserves increased by 3.7 % month-month to N\$56.3 billion as at end of April 2024. The increase stemmed from higher SACU receipts, as well as an increase in Customer Foreign Currency inflows. The foreign reserves translated into 4.0 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 4.7 months at the end of April 2024, relative to 4.4 months recorded at the end of March 2024.

Figure 9: Banking Liquidity year on year in N\$ Millions



Source: Bank of Namibia, HEI research



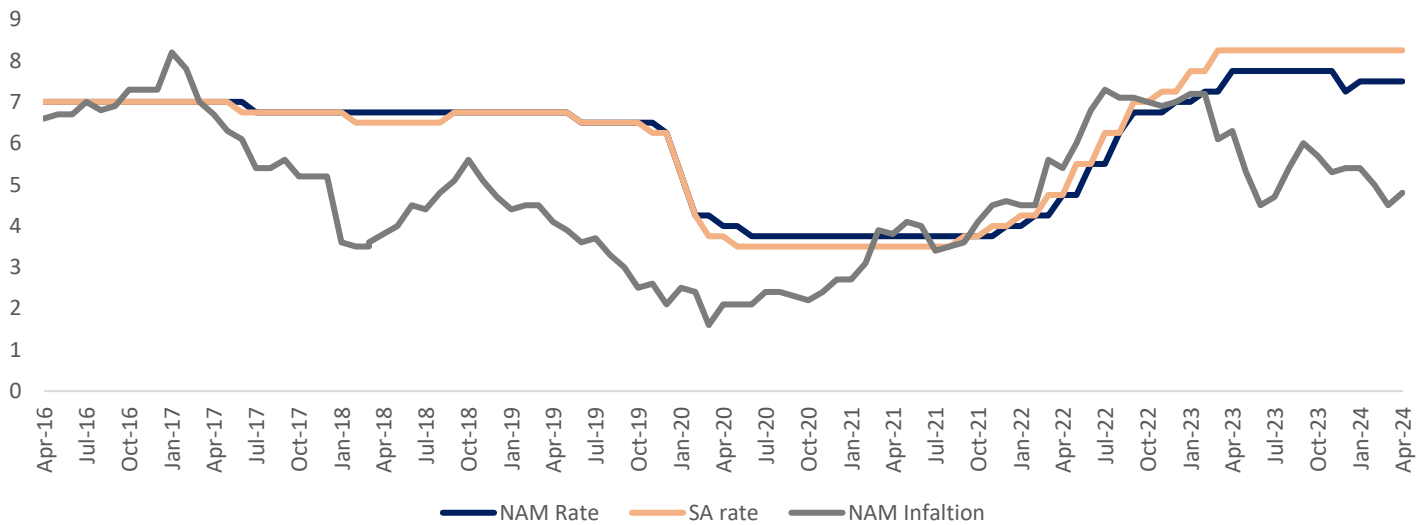
5. PSCE Outlook

In the first three months of 2024, private sector credit extension (PSCE) experienced contraction. However, in April 2024, there was a slight uptick in credit demand, as depicted in Figure 9. This increase in credit demand was primarily driven by the business sector. The uptick in credit demand from businesses may indicate a slowly increasing business sentiment, which bodes well for overall economic activity.

Despite the slight increase in credit demand from businesses, household credit demand still remains dominant. However, in April 2024, Household credit uptake was slow, particularly in the mortgage segment, which has traditionally shown positive growth. This decline in Household mortgage credit suggests a decrease in home purchases among Households, possibly influenced by current inflationary pressures and high interest rates that consumers are experiencing. Furthermore, the overall decrease in credit demand can be attributed to various factors, including a decrease in Households' disposable income and high levels of debt. These circumstances may lead Households to explore alternative funding sources, such as micro lending.

As of April 2024, Namibia's annual inflation rate stood at 4.8%, higher than the 4.5% recorded in March 2024. This increase in inflation is primarily attributed to higher housing and transport inflation, while inflation for food and non-alcoholic beverages remained unchanged. The combination of sticky inflation and a high repo rate of 7.75% continues to maintain a restrictive monetary policy in the economy. It is anticipated that inflation will remain sticky, constraining the ability of the South African Reserve Bank (SARB) and the Bank of Namibia's Monetary Policy Committees to cut the repo rate. Given the current inflation trend, it is predicted that the rate cutting cycle will only begin in the third quarter, suggesting that private sector credit extension (PSCE) growth to remain subdued in the short run.

Figure 11: Namibia and South Africa rates



Source: BoN, HEI Research

PSCE



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