

PSCE

MAY 2024

1. Overview

On a monthly basis credit extended to the private sector grew by 0.83%. In real value, a total of about N\$ 122,082 million was extended to the private sector. Households made up 59% and Businesses made up 41% of total credit extended (see Figure1. The increase in PSCE growth mainly stemmed from an increase in demand by businesses during the review period. Business credit picked up annually by 4.7% in May 2024 from 0.6% in April 2024. In Contrast, Household credit appetite remained stagnant consecutively for the past 3 months, in May credit uptake remained at 2.2% annually. Overall, April 2024 saw an increase credit demand driven by the Business sector. (See Figure 1, 2 and 4).

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

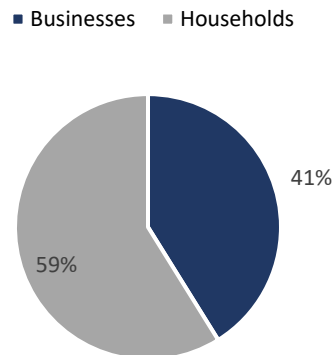


Table 1: Private Sector Credit Extension Overview

Category	N\$ Millions	Change in Millions		% Change	
	Outstanding	m/m	y/y	m/m	y/y
Businesses	47,037.2	734	2,108.98	1.6%	4.7%
Households	67,300.0	297	1,472.9	0.4%	2.2%
Mortgages Loans	59,060.5	38.30	151.4	0.1%	0.3%
Other Loans & Advances	30,926.1	1,068.22	2,885.6	3.6%	10.3%
Overdrafts	11,401.8	-379.05	-1,156.8	-3.2%	-9.2%
Instalment and Leasing	12,948.9	303.25	1,701.7	2.4%	15.1%

Figure 2: Private Sector Credit Extension YoY% growth rates

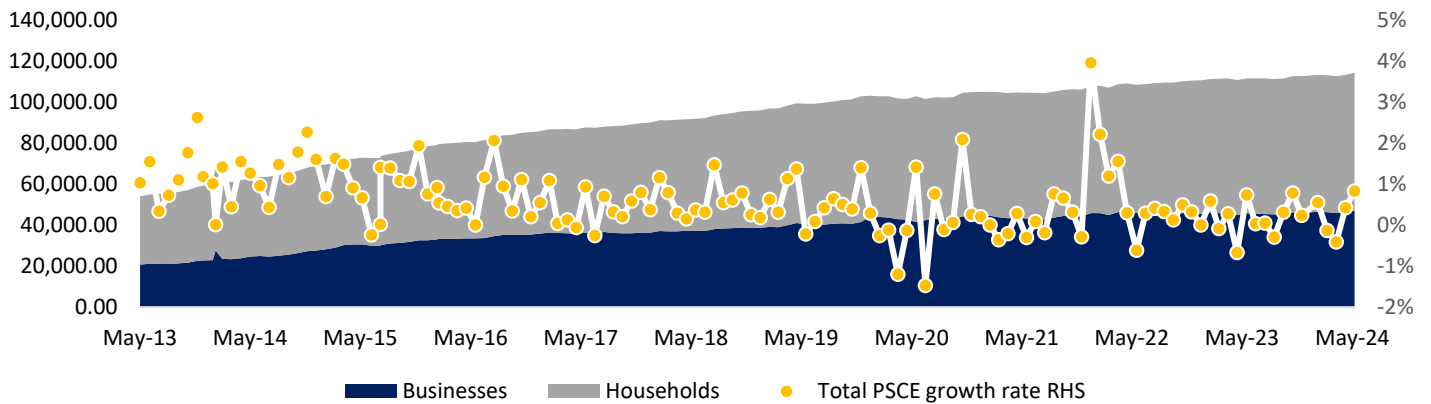
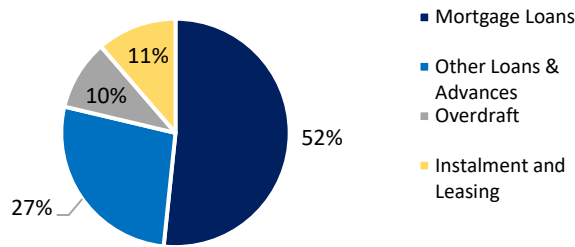
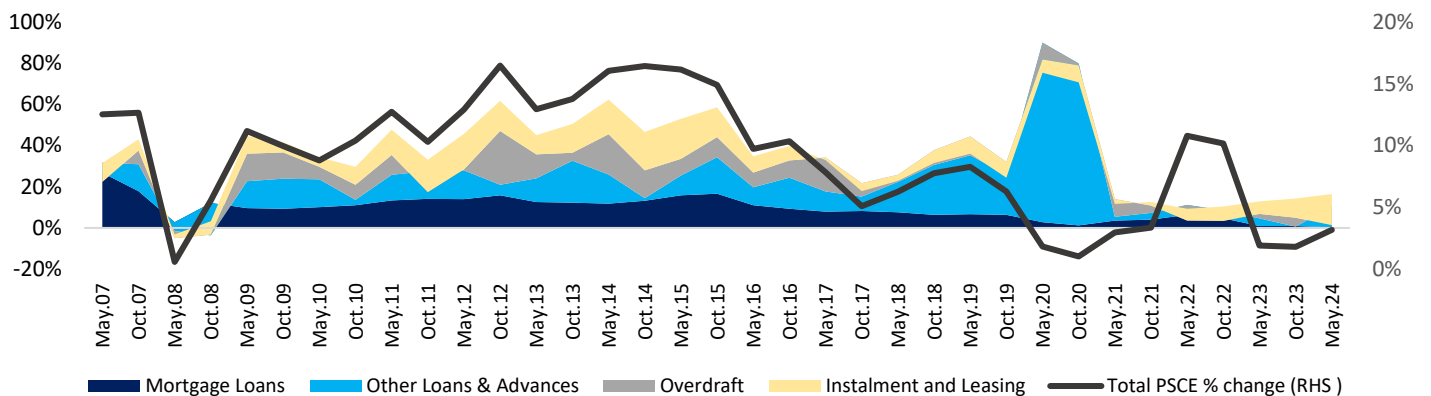


Figure 3: Private Sector Credit Percentage Share May 2024



As of May 2024, mortgage loans accounted for 52% of total credit extended, while other loans and advances made up 27%, overdrafts 10%, instalment credit accounted for 11% (see Figure3). Over the past year, mortgage loans experienced a modest year on year growth of 0.3% at the end of May 2024. In contrast, Instalment credit grew by 15.1% year on year, Overdrafts decreased by 9.2% year on year and other loans and Advances grew by 10.3% year on year. Since October 2023 credit extended to the private sector is trended positively. (See Table 1 and Figure4).

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



2. Business Credit Extension

In May 2024, credit extended to the Business sector grew by 4.7% annually, a significant increase from the 0.6% in April 2024. This was mainly due to an increase in credit uptake by businesses in the form of other loans and advances which increased by 17.1% y/y, mainly from corporations in the manufacturing and retail sectors. Credit extended in the form of instalment sales and leasing credit increased significantly by 29% y/y, contributed to the robust growth in the uptake of credit by businesses. The rise in instalment sales continues benefitting from the robust demand for car rental over the review period. On an annual basis, overdrafts contracted by 15.1%, indicating faster repayments.

On a monthly basis, credit extended to Businesses grew by 1.58% in May 2024 from the 1% recorded in April 2024. The Business category showed a positive trend in credit uptake for May 2024 across various loan types. Mortgage Loans contracted by 0.42%, Other Loans and Advances expanded by 4.55%, Overdrafts contracted by 3.1%, and Instalment and Leasing expanded by 4.25%. (See Figure 6 and 7)

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

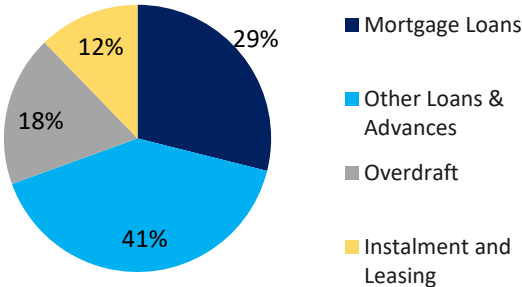


Figure 6: Month on Month Business Credit uptake and repayment

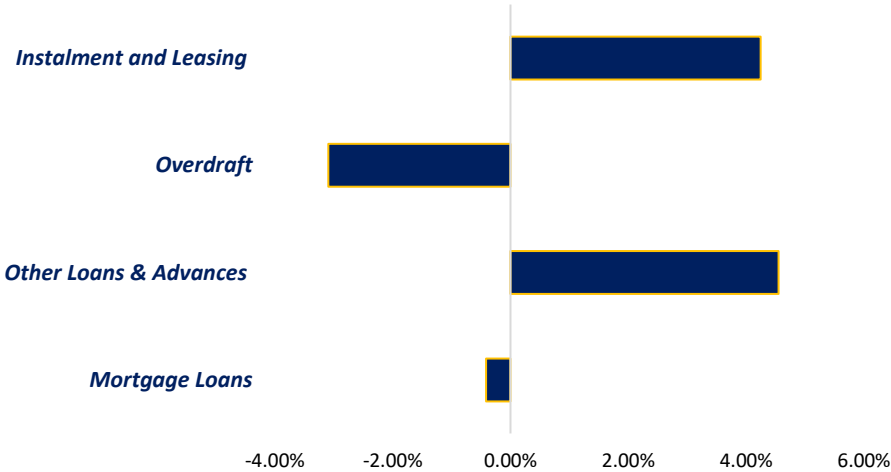
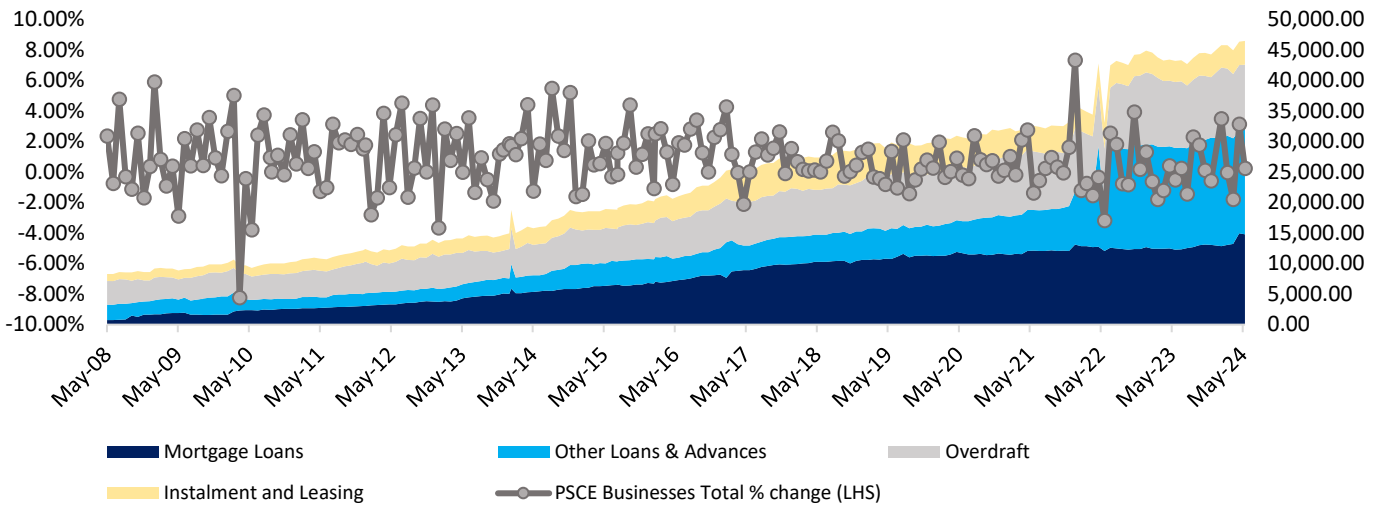


Figure 7: Credit Extended to the Business Sector by Category Year-on-Year % Growth rate



Source: Bank of Namibia, HEI Research

3. Household Credit Extension

Annually household credit maintained a constant growth rate of 2.2% in May 2024. The slight growth of other loans and advances and overdrafts credit were offset by a decrease in mortgage loans, the largest component. Annually mortgage loans grew by 1.5%, other Loans and advances grew by 0.2%, Overdrafts grew by 15.1% and installment and leasing grew by 6%. The constant growth of 2.2% in household credit indicates that housing demand is slowing as a result of by high housing prices and high interest rates. Furthermore, household overdrafts have been trending downwards since October 2023 however, still above categories indicating that households are spending more than they have, households may also be financially unstable, this correlates to rise in the cost of living. (See Figure 9 and 10)

As of May 2024, monthly credit extended to households increased by 0.44%, an uptick from the 0.23% recorded in April 2024. This increase indicates a net borrowing rise among Households. Specifically, in May 2024, Overdrafts contracted by 3.39%, Mortgage loans expanded by 0.21%, Other loans and Advances expanded by 2.05%, and Instalment and leasing credit expanded by 0.96%.

Figure 8: Percentage Share of Credit Extended to the Household Sector by Category

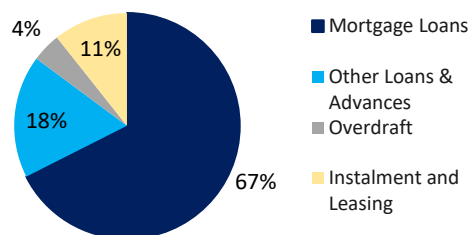
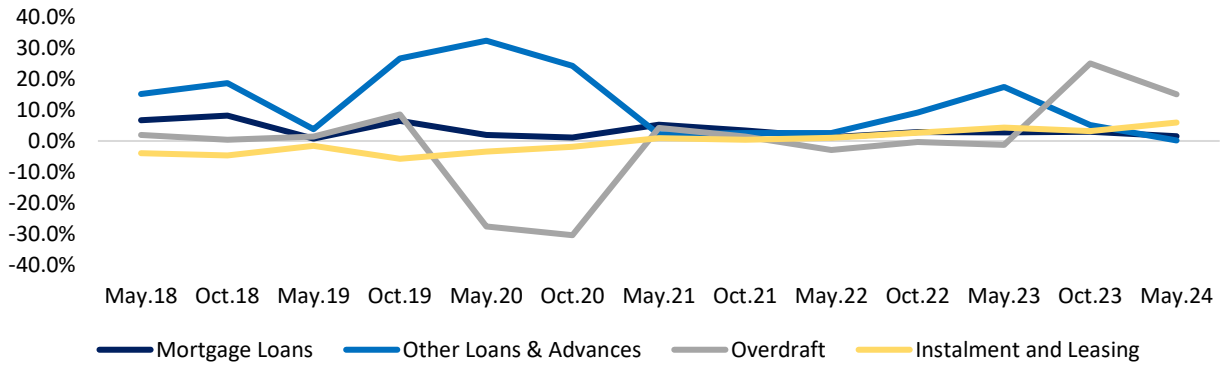
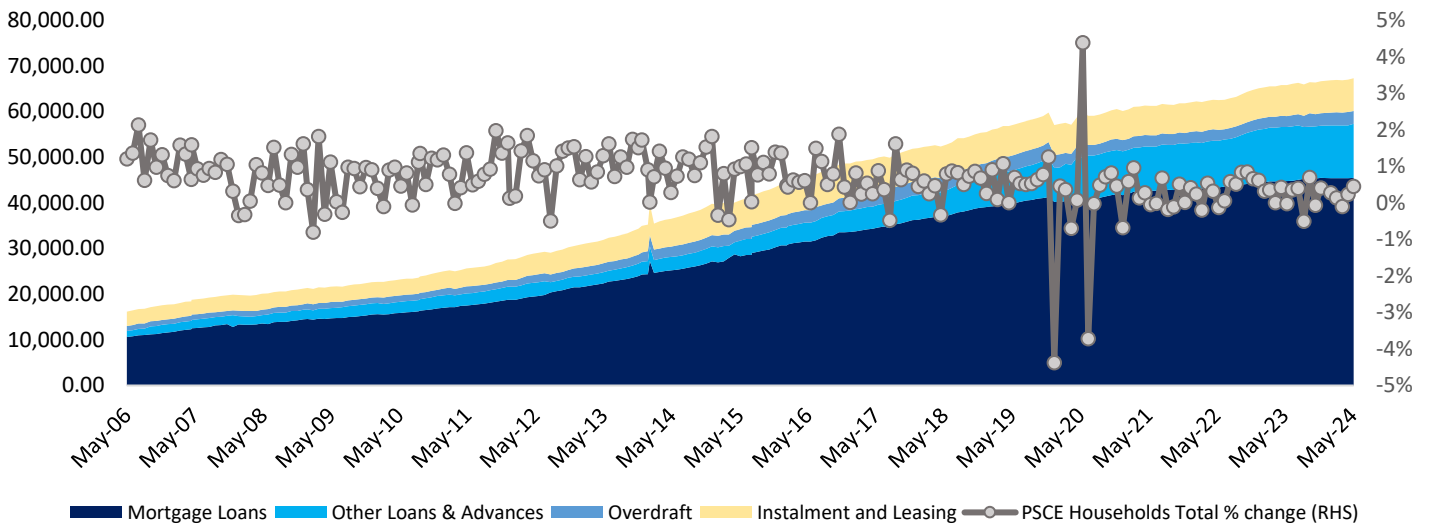


Figure 9: Household Sector Credit Extension by Category Year-on-Year % Growth Rates



Source: Bank of Namibia, HEI Research

Figure 10: 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 remained high in May 2024, compared to the earlier months on the year. The industry liquidity averaged N\$8.6 billion in May 2024, closely aligned to the level observed in April 2024. The liquidity levels are expected to remain elevated in June 2024 as corporates are freeing up long term deposits on the back of expected corporate tax payments.

The Bank of Namibia’s stock of international reserves decreased at the end of May 2024. The stock of international reserves decreased by 1.2 percent month-on-month to N\$55.6 billion as at end of May 2024. The decrease stemmed from higher foreign government payments, as well as an increase in Customer Foreign Currency outflows. 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 May 2024, relative to 4.7 months recorded at the end of April 2024.

Figure 12: Banking Liquidity year on year in N\$ Millions



Source: Bank of Namibia, HEI research

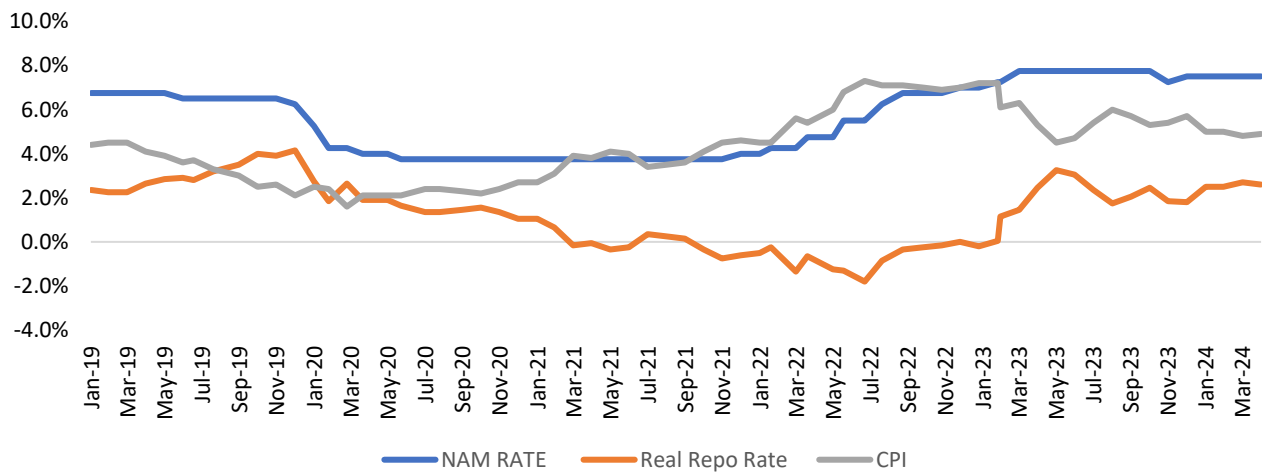


5. PSCE Outlook

The increase in credit demand experienced during the month under review was primarily driven by the business sector. The increase 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 May 2024, Household credit uptake was stagnant for the third consecutive month, 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.

Annual headline inflation increased slightly in May 2024. Namibia's annual inflation rate stood at 4.9 percent in May 2024, relative to 4.8 percent recorded in April 2024. The increase in inflation is mainly ascribed to an increase in transport and housing inflation while the category food and non-alcoholic beverages declined. 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. We continue to hold the sentiment given the current inflation trend, that the rate cutting cycle will only begin in the third quarter, suggesting that private sector credit extension (PSCE) growth to maintain a slow growth in the short run.

Figure 12: Namibia and South Africa rates



Source: BoN, HEI Research

PSCE



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