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Private Sector Credit Extension (PSCE) – November 2025

30 November 2025

1. Overview

In October 2025, Private Sector Credit Extension (PSCE) recorded a notable slowdown, easing to 4.7% year-on-year, down from the 5.9% seen in September 2025. Total claims on the private sector stood at N\$122.50 billion, reflecting a marginal month-on-month contraction of 0.4%. The data highlights a cooling credit market as the immediate liquidity boost from previous periods begins to fade. The divergence between sectors remains the core theme.

Corporate Moderation: While still the growth anchor (7.5% y-o-y), business credit slowed as significant repayments in the mining, manufacturing, and fishing sectors offset new borrowing.

Household Fragility: Household credit growth weakened further to 2.8% y-o-y, remaining well below the prevailing inflation rate of 3.6% and signaling a deepening real-term contraction in consumer purchasing power.

2. Key Market Insight

The defining event for Namibia's financial landscape in October was the redemption of the US\$750 million Eurobond on 29 October. This massive capital outflow fundamentally placed downward pressure on domestic liquidity:

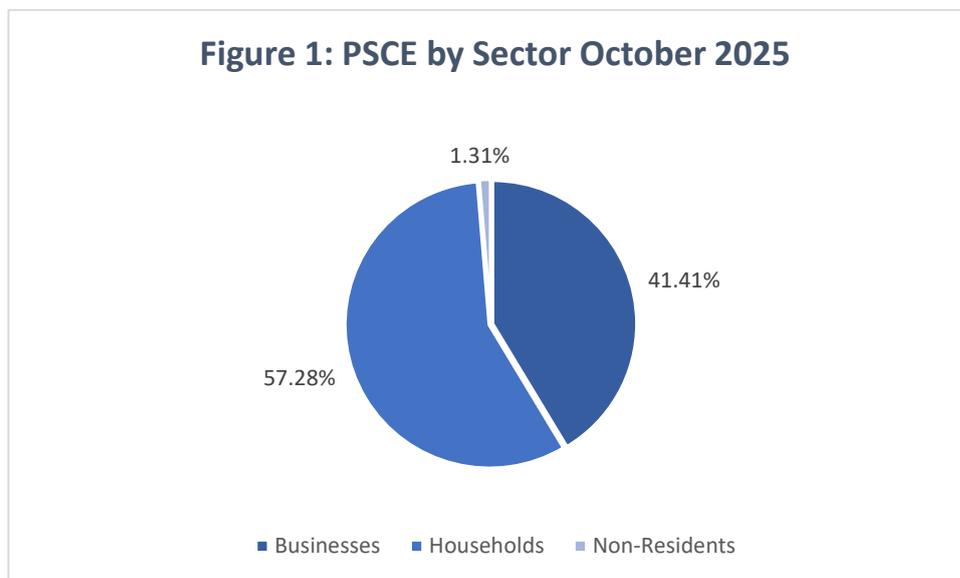
Liquidity Drainage: Commercial banks' average cash balances plummeted by 29.2% month-on-month to N\$5.2 billion. This sharp tightening of the cash pool has contributed to the more cautious lending environment observed during the month.

Credit Shift Persistence: Despite the tighter liquidity, the structural changes in credit category uptake continued to persist in during the month of October. Total mortgage credit contracted by 0.9% year-on-year, marking its second consecutive month in negative territory. Meanwhile, instalment sale and leasing credit remains the standout, growing at 18.4% y-o-y, as economic agents prioritize movable assets over fixed property.

Table 1: PSCE Overview, Nov 2025

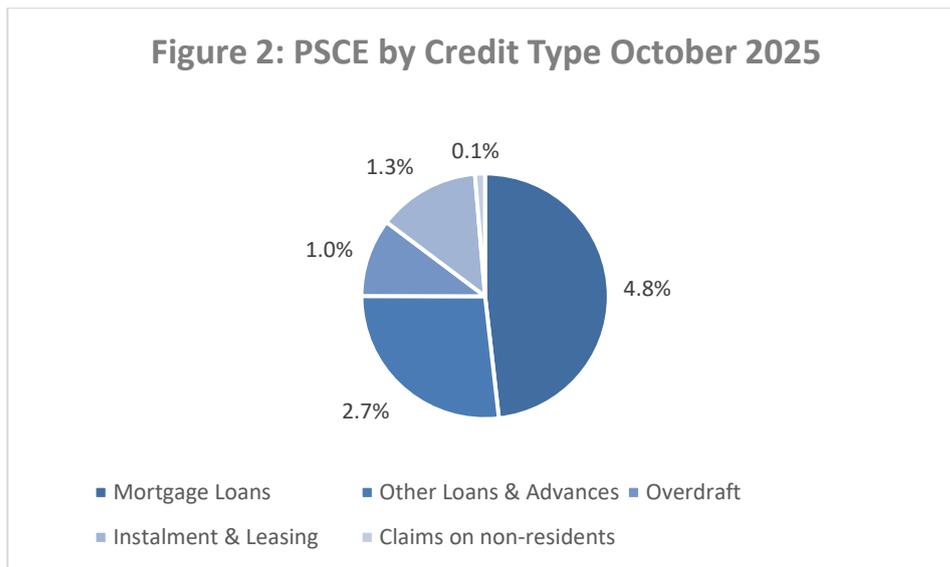
Category	Outstanding (N\$ m)	MoM change (N\$ m)	MoM (%)	YoY change (N\$ m)	YoY (%)
<u>Claims by businesses</u>	50,721.0	-458.3 ▼	-0.9% ▼	+3,555.2 ▲	+7.5% ▲
Loans & advances (business)	43,079.0	-572.6 ▼	-1.3% ▼	+2,130.1 ▲	+5.2% ▲
Instalment & leasing (business)	7,642.0	+114.3 ▲	+1.5% ▲	+1,425.0 ▲	+22.9% ▲
<u>Claims by households</u>	70,169.6	+14.7 ▲	0.0%	+1,924.0 ▲	+2.8% ▲
Loans & advances (households)	61,438.8	-101.8 ▼	-0.2% ▼	+800.7 ▲	+1.3% ▲
Instalment & leasing (households)	8,730.8	+116.5 ▲	+1.4% ▲	+1,123.4 ▲	+14.8% ▲
<u>Private sector claims (local)</u>	120,890.6	-443.6 ▼	-0.4% ▼	+5,479.2 ▲	+4.7% ▲

Source: Bank of Namibia



Source: Bank of Namibia

Figure 2: PSCE by Credit Type October 2025



Source: Bank of Namibia

Private Sector Credit Composition by Type

In October 2025, the composition of credit revealed a market driven by specific pockets of corporate demand rather than broad-based expansion. While the corporate sector remains the primary engine of credit growth (+7.5%), the household sector is effectively stagnating in real terms.

Corporate Drivers: The robust growth in business credit is structurally unbalanced, heavily skewed toward movable assets rather than long-term expansion.

Asset Financing: The surge is led by a **22.9% year-on-year** jump in instalment and leasing credit for businesses. This confirms that businesses are prioritising operational capacity, such as upgrading fleets and machinery, over fixed property investment.

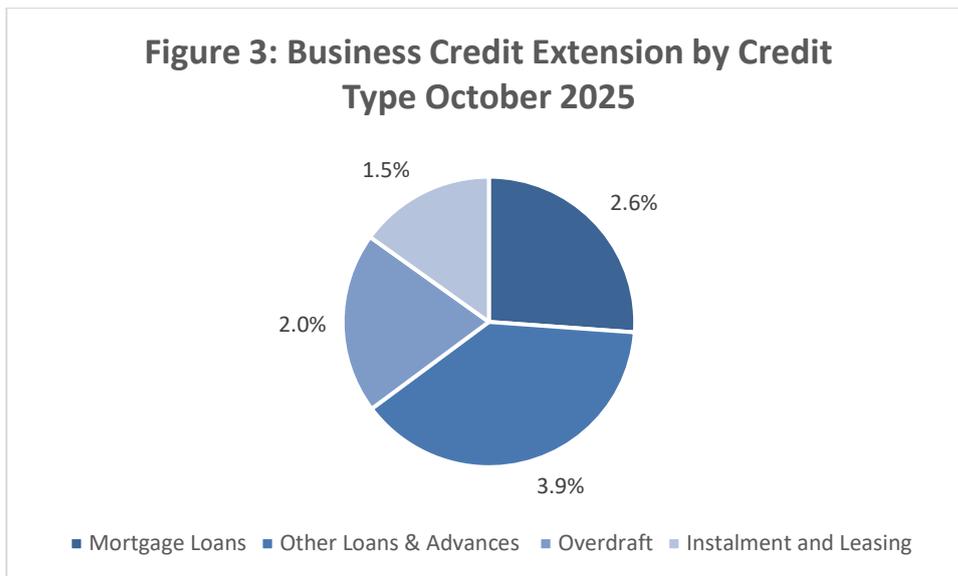
Cash Flow Management: Concurrently, business overdrafts grew by **13.9% year-on-year**. However, the month-on-month contraction of **2.4%** in this category suggests that businesses are actively managing liquidity and settling short-term obligations rather than letting facilities run up.

Household Drivers: In contrast, the household sector is shrinking in real terms. With year-on-year growth at **2.8%** sitting well below the inflation rate of **3.6%**, consumer purchasing power is eroding.

Deleveraging Trend: Households appear to be actively cutting expensive unsecured debt, evidenced by the sharp **10.4% year-on-year contraction** in overdraft facilities.

Property Saturation: The traditional driver of household credit—mortgages—has ground to a near halt with only **0.2% growth**. This indicates that the interest rate cutting cycle has not yet stimulated appetite for residential property, as consumers remain cautious.

Figure 3: Business Credit Extension by Credit Type October 2025



Source: Bank of Namibia

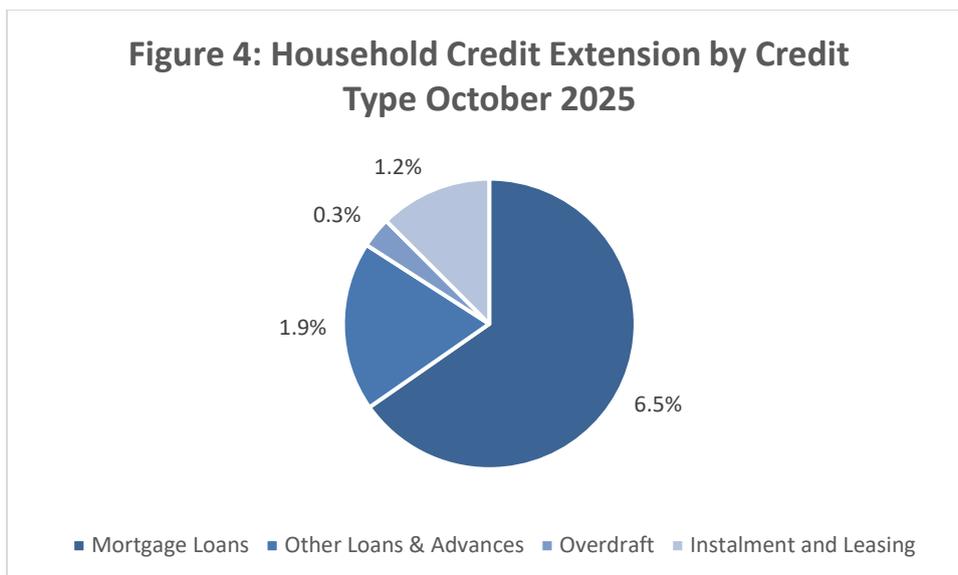
Business Credit: Operational Investment Drives Growth

The Namibian Credit extended to businesses grew to N\$50.72 billion, increasing by 7.5% year-on-year. However, the monthly contraction of N\$458.3 million indicates that businesses are prioritizing debt settlement in the wake of tighter liquidity following the Eurobond redemption.

Asset Financing: Instalment and leasing remain the standout performer, surging 22.9% y-o-y. This confirms businesses are actively investing in movable assets, such as commercial vehicles and heavy machinery, which generate immediate revenue.

Working Capital vs. Structural Debt: While business overdrafts grew by 13.9% y-o-y, they saw a 2.4% contraction month-on-month as firms settled balances. This suggests businesses are utilizing short-term facilities to manage cash flow volatility rather than committing to long-term structural debt. In the current climate, firms maintain liquidity to navigate uncertainty rather than locking capital into long-term mortgage debt, which contracted by 4.2%.

Property Contraction: Business mortgage loans contracted by 4.2% y-o-y to N\$13.26 billion, evidencing the shift toward operational assets. The decline stands in stark contrast to the 22.9% surge in business instalment credit. Credit demand has fundamentally shifted, with businesses now investing in assets that generate immediate revenue (movable assets) rather than assets that sit stagnant on the balance sheet (fixed property).



Source: Bank of Namibia

Household Credit Composition By Type

Household claims grew by **2.8% y-o-y** to **N\$70.17 billion**, lagging behind the **3.6% inflation rate**.

Real-Term Contraction: Because credit growth (2.8%) is lower than inflation (3.6%), household credit is contracting in real terms. This means the actual purchasing power of household credit is shrinking, signaling persistent financial pressure as families effectively borrow less value than before.

Mortgage Stagnation: A Structural Stalemate: Household mortgage loans remained sluggish, increasing by only **0.2%**. This reflects interacting forces: high interest rates pricing consumers out of the market (Demand), tighter bank lending criteria in an uncertain climate (Supply), and households prioritizing debt repayment over 20-year bond commitments (Balance Sheet Repair).

Mobility Substitution: Instalment and leasing credit for households grew **14.8% y-o-y**. This category serves as the primary financial proxy for vehicle sales. The divergence suggests a substitution effect: consumers, priced out of property, are directing limited credit toward mobility and shorter-term assets.

International Reserves

The stock of international reserves declined sharply at the end of October 2025, by **11.2% month-on-month** standing at **N\$48.6 billion**. This significant drawdown was primarily due to the successful redemption of the country's **Eurobond** on 29 October. Beyond this debt service, the decline was further exacerbated by net outflows of South African Rand (ZAR) by commercial banks, ongoing government foreign payments, and valuation adjustments arising from the appreciation of the NAD/ZAR exchange rate against the US Dollar. Despite this significant draw down, the stock of international reserves remains adequate to support the currency peg, and are estimated to cover 3.2 months of imports, (or **3.5 months** when excluding oil and gas exploration-related imports), which sits comfortably above the international benchmark of 3.0 months.

Figure 5: Stock Of International Reserves Jan 2024- Oct 2025



Source: Bank of Namibia

3. Outlook

The Bank of Namibia maintained the repo rate at **6.50%** in October. While the cutting cycle has commenced, transmission to the household sector is lagging as policy adjustments take time to filter through the banking system and bolster consumer confidence. Consequently, PSCE growth is expected to remain muted in the near term. The disparity between strong corporate asset financing and stagnant household mortgages is likely to persist into Q1 2026. A key risk factor is the continued high growth in corporate overdrafts, which may signal cash flow pressures on businesses rather than healthy operational expansion.