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Private Sector Credit Extension (PSCE)

July 2026

Executive summary

In July 2026, Private Sector Credit Extension (PSCE) recorded **year-on-year growth of 4.2%**, moderating from **4.5%** recorded in June 2026. On a **month-on-month basis**, private sector credit declined by **0.27%**, reflecting a decrease in the total credit balance from **N$125.86 billion in June to N$125.55 billion in July 2026**. The moderation in annual credit growth and the monthly contraction was largely driven by weaker credit uptake and net repayments by businesses, which more than offset the continued expansion in household credit. In real terms, PSCE contracted by **0.2%** in July, indicating that private sector credit growth remained below consumer price inflation and pointing to subdued domestic economic activity.

Household credit expanded by **0.61% month-on-month** and **4.6% year-on-year,** compared to **4.5%** in June 2026. The household credit balance increased from **N$72.30 billion in June to N$72.74 billion in July,** indicating a continued expansion in net household credit. The increase may reflect stronger lending activity, a moderation in repayments, or a combination of both, suggesting that household credit conditions remained supportive during the month under review.

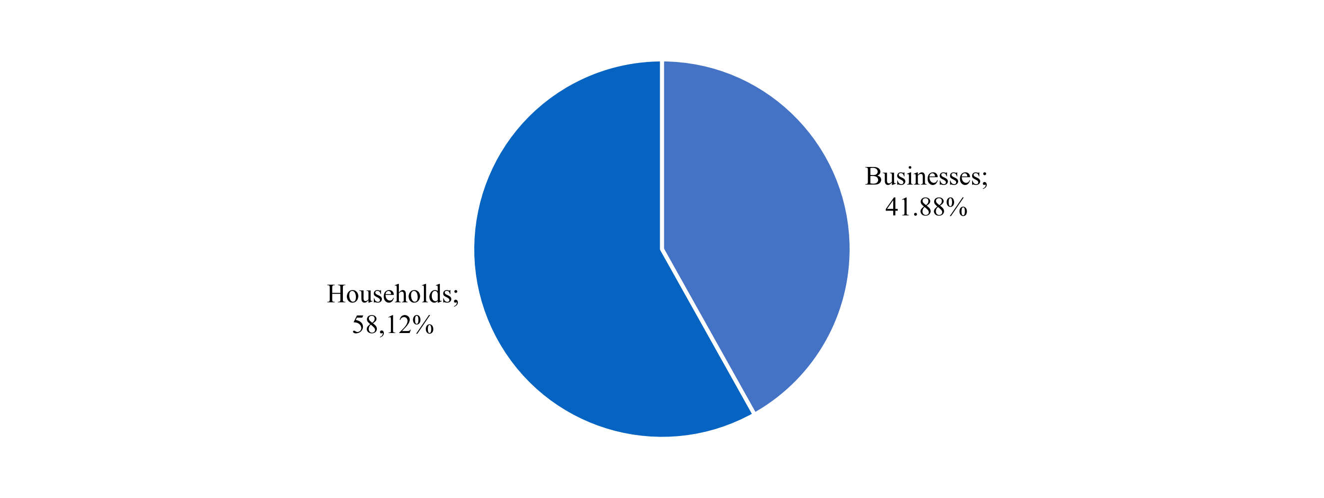
Claims on businesses declined by **1.46% month-on-month** and recorded **year-on-year growth of 3.7%**, down from **4.5%** in June 2026. The business credit balance decreased from **N$55.19 billion in June to N$52.41 billion in July 2026**. The contraction in business credit was a key factor behind the overall moderation in PSCE growth, reflecting subdued borrowing demand and net repayments by businesses during the month.

Table 1: PSCE Overview July 2026:

Category	Outstanding (N$ m)	MoM change (N$ m)	MoM (%)	YoY change (N$ m)	YoY (%)
Claims by businesses	**52 406,99**	**-778.7▼**	**-1,5%▼**	**+ 1 861,0 ▲**	**+3,68% ▲**
Loans & advances (business)	**43 717,8**	**-799.1▼**	**-1,8 % ▼**	**+ 211,7▲**	**+0,49%% ▲**
Instalment & leasing (business)	8 689,2	+20.4▲	+ 0,2 % ▲	+ 1 649,3▲	+23,43%% ▲
Claims by households	72 737,8	+438.7▲	+ 0,6 % ▲	+ 3 198,5▲	+4,60%% ▲
Loans & advances (households)	**63 048,3**	**+350.5 ▲**	**+ 0,6 % ▲**	**+ 1 964,0▲**	**+3,22% ▲**
Instalment & leasing (households)	9 689,5	+88.2 ▲	+ 0,9 % ▲	+ 1 234,5▲	+14,60% ▲
Private sector claims (local)	**125 552,4**	**-308,7 ▼**	**-0,2 %▼**	**+ 5 258,7 ▲**	**+4,21% ▲**

Source: Bank of Namibia & HEI Research

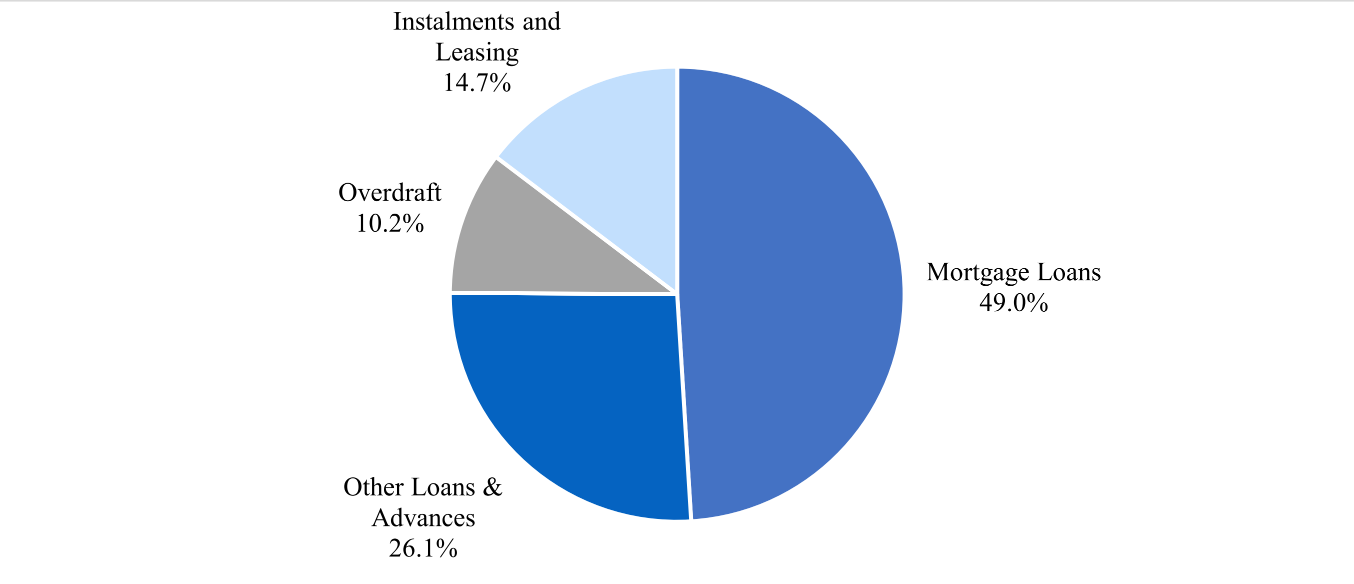
Figure 1: Share of Local PSCE by Entity, July 2026.



Source: Bank of Namibia & HEI Research

CREDIT TYPE

Figure 2: Share of Local PSCE by Credit Type, July 2026



Source: Bank of Namibia & HEI Research

The composition of private sector credit shifted modestly in July 2026, with mortgage lending continuing to dominate the credit portfolio, accounting for 49.0% of total local PSCE, equivalent to approximately N$61.5 billion of the N$125.55 billion total credit balance. This represents an increase in its share from 47.7% in June, indicating a stronger concentration of private sector credit in mortgage financing during the month.

Other loans and advances (general-purpose lending) remained the second-largest component of private sector credit, accounting for 26.1%, or approximately N$32.8 billion, of total PSCE. Its share declined from 27.3% in June, suggesting a moderation in the use of flexible financing by households and businesses.

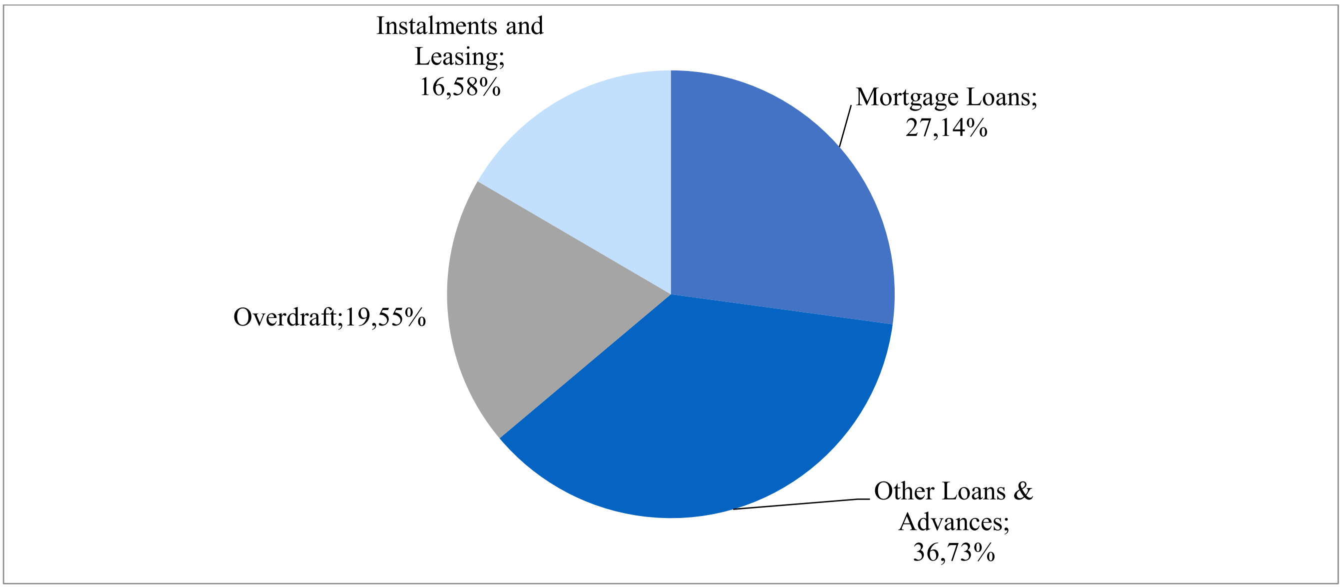
Instalment and leasing finance accounted for 14.7%**,** equivalent to approximately N$18.5 billion, increasing marginally from 14.6% in June. The continued significance of this category reflects sustained demand for asset-based financing, including vehicle and equipment financing.

Overdraft facilities comprised 10.2% of outstanding private sector credit, amounting to approximately N$12.8 billion**.** This represents a slight decline from 10.4% in June. Despite the marginal reduction in its share, overdraft facilities remained an important source of short-term financing for both businesses and households.

Analysis

CORPORATE CREDIT

Figure 3: Corporate Credit by Type, July 2026



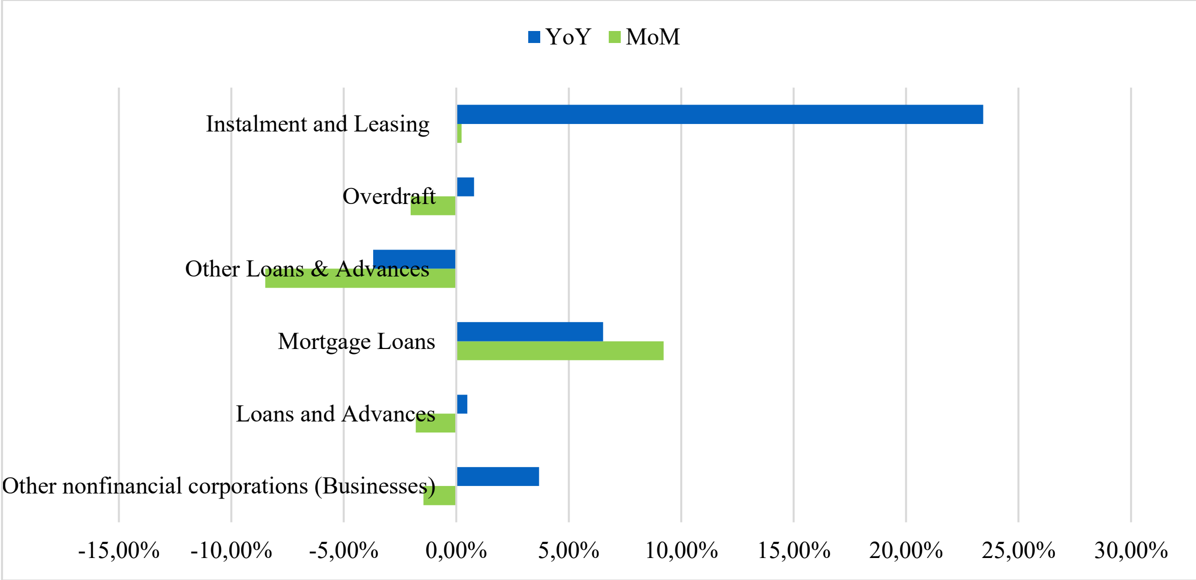
<u>Source: Bank of Namibia & HEI Research</u>

Within the business sector, other loans and advances continued to account for the largest share of business credit in July 2026, representing 36.7% of total business credit. Although this remained the largest component, its share declined from 39.6% in June, indicating a moderation in businesses' reliance on general-purpose financing for operational activities and investment requirements.

Mortgage loans accounted for 27.1% of total business credit, increasing from 24.5% in June and highlighting the continued importance of property-related financing within the business sector. Overdraft facilities comprised 19.5% of business credit, marginally declining from 19.7% in June, while continuing to provide businesses with short-term liquidity to support cash flow and working capital requirements.

Instalment and leasing finance accounted for the remaining 16.6% of total business credit, increasing slightly from 16.3% in June. The continued demand for this form of financing reflects businesses' need for asset-backed credit, particularly for vehicles, machinery and other business equipment.

Figure 4: Corporate Credit Growth Drivers, July 2026



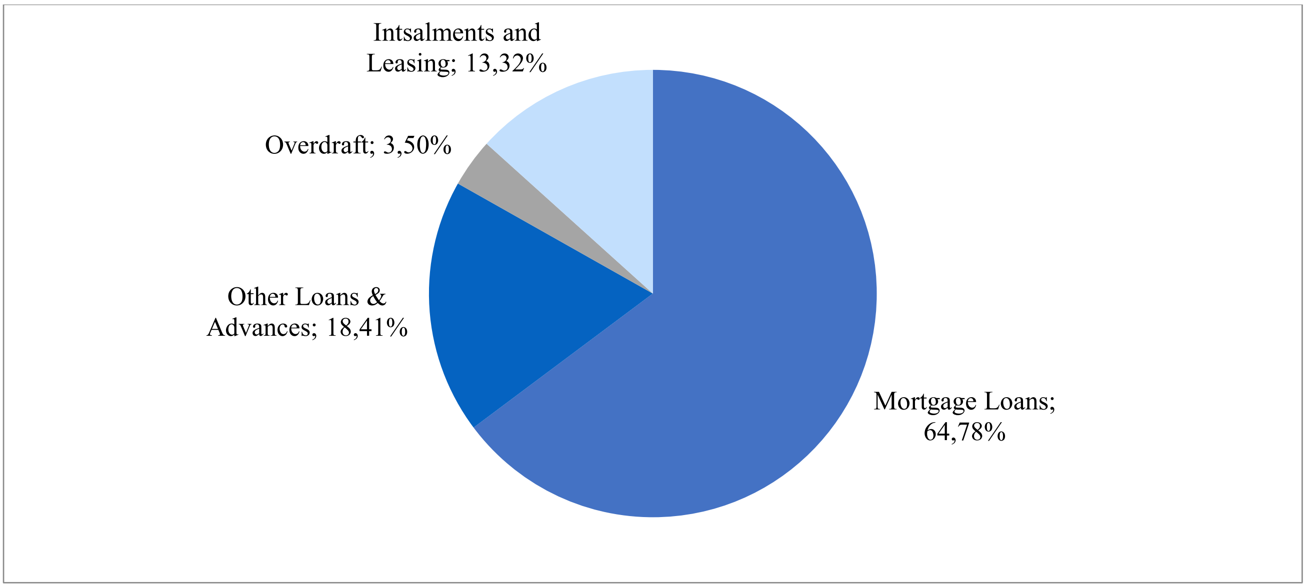
Source: Bank of Namibia & HEI Research

Corporate credit weakened in July 2026, with claims on businesses declining by 1.46% month-on-month, compared to growth of 1.73% in June. The contraction was largely driven by a decline in other loans and advances, which fell by 8.49%, while loans and advances and overdraft facilities contracted by 1.79% and 2.03%, respectively. In contrast, mortgage lending increased by 9.22%, while instalment and leasing finance recorded modest growth of 0.24%. On a year-on-year basis, credit extended to the corporate sector grew by 3.7%, down from 4.5% in June, reflecting weaker credit expansion during the month. The moderation was associated with lower credit uptake and net repayments across several lending categories, particularly among businesses in the manufacturing, fishing, agriculture, wholesale and retail, financial services, and energy-related sectors.

On an annual basis, corporate credit expanded by 3.68% in July 2026, although this remained below the 4.51% growth recorded in June. Annual growth continued to be supported by instalment and leasing finance, which increased by 23.43%, reflecting sustained demand for asset-backed financing. Mortgage lending also recorded positive annual growth of 6.52%, while overdraft facilities and loans and advances grew by 0.78% and 0.49%, respectively. In contrast, other loans and advances contracted by 3.70% year-on-year, indicating weaker demand for general-purpose business credit. Overall, the moderation in corporate credit growth reflected reduced borrowing through general-purpose and short-term financing facilities, despite continued strength in asset-backed and mortgage lending.

HOUSEHOLD CREDIT

Figure 5: Household Credit by Type, July 2026

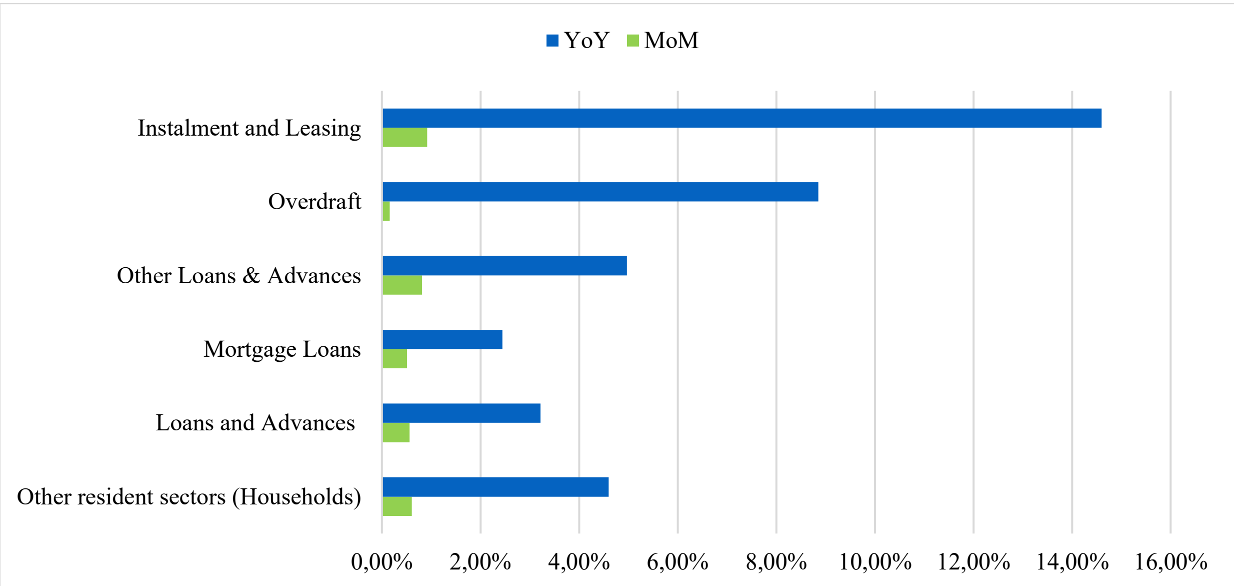


Source: Bank of Namibia & HEI Research

Household credit remained strongly concentrated in mortgage lending in July 2026, with mortgage loans accounting for 64.8% of total household credit. Other loans and advances constituted 18.4%, while instalment and leasing finance accounted for 13.3% and overdraft facilities for 3.5%. The dominance of mortgage lending highlights the continued importance of housing finance within household credit, while the remaining categories reflect households' use of various forms of credit for general financing and asset purchases.

The marginal improvement in overall household credit growth to 4.6% in July, from 4.5% in June, was supported by stronger growth in mortgage credit and instalment and leasing finance. Mortgage credit grew by 2.4% year-on-year, marking its highest growth rate since December 2023.

Figure 6: Household Credit Growth Drivers, July 2026



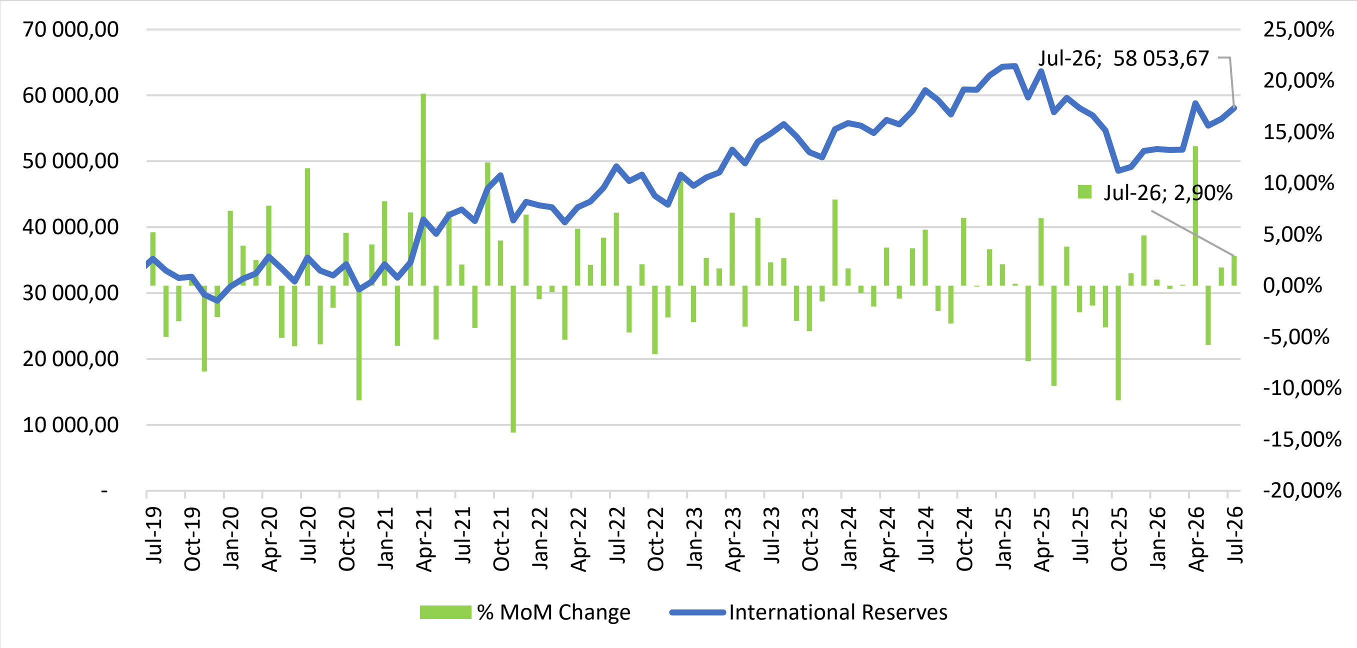
Source: Bank of Namibia & HEI Research

Household credit strengthened modestly in July 2026, increasing by 0.61% month-on-month, compared to 0.57% in June. The monthly expansion was broad-based across the major credit categories, with instalment and leasing finance recording the strongest growth of 0.92%, followed by other loans and advances at 0.81%. Loans and advances and mortgage lending increased by 0.56% and 0.51%, respectively, while overdraft facilities recorded a more subdued increase of 0.16%.

On a year-on-year basis, household credit growth accelerated slightly to 4.60% in July, from 4.48% in June. Instalment and leasing finance remained the fastest-growing component, expanding by 14.60%, followed by overdraft facilities at 8.85%. Other loans and advances recorded annual growth of 4.97%, while loans and advances and mortgage lending grew by 3.22% and 2.44%, respectively. Overall, household credit continued to expand at a moderate pace, with asset-backed financing remaining an important contributor to annual credit growth.

INTERNATIONAL RESERVES

Figure 7: Levels of International Reserves, July 2019-July 2026



Source: Bank of Namibia & HEI Research

Namibia's international reserve position strengthened further in July 2026, with foreign reserves rising by 2.9% month-on-month to N$58.0 billion, compared to N$56.4 billion in June. The improvement was largely driven by increased SACU receipts and higher Customer Foreign Currency (CFC) placements from commercial banks. In addition, the depreciation of the domestic currency and further monetization of gold contributed to the accumulation of reserves during the month.

The stronger reserve position provided a modest improvement in Namibia's external liquidity buffer. At the end of July, the reserve stock was equivalent to approximately 3.6 months of import cover, rising to 4.0 months when oil and gas exploration and appraisal-related imports are excluded. Although reserve adequacy remains influenced by the country's import requirements, the increase during the month strengthened Namibia's capacity to meet short-term external obligations and maintain confidence in the Namibia Dollar–South African Rand currency peg.

International reserves were estimated at 10.1 times the currency in circulation, unchanged from the previous month. This continued level of coverage indicates that the reserve position remained sufficient to support the currency arrangement and provide a buffer against external payment pressures.

Outlook

Private sector credit extension is expected to maintain a moderate but resilient growth trajectory over the near term, supported by continued demand for household mortgage lending, working capital facilities and asset-backed financing. Following the Bank of Namibia's decision to maintain the repo rate at 6.75 percent in August 2026, borrowing conditions are expected to remain relatively tight but stable for both households and businesses. The unchanged policy rate, alongside similar decisions by other Common Monetary Area central banks, should provide some stability to borrowing costs and support credit demand, although the elevated interest-rate environment is likely to continue encouraging cautious borrowing and investment decisions.

Domestic inflation remained unchanged at 4.4 percent in July 2026, indicating that overall price pressures remained relatively contained. The stability in headline inflation was supported by a decline in transport inflation, which was offset by increases in food and non-alcoholic beverages as well as housing inflation. However, the increases in domestic fuel prices in August and September 2026 pose an upside risk to inflation in the coming months. This may place additional pressure on the inflation outlook and could influence the monetary policy stance in the fourth quarter.

Regionally, the continued stability of monetary policy in Namibia and South Africa provides a relatively supportive environment for domestic credit conditions, given the close economic and financial integration between the two countries and the currency peg. In addition, the improvement in international reserves provides an important buffer for external stability and supports confidence in the Rand Peg Agreement.

Overall, private sector credit growth is expected to remain broadly stable in the coming months, with household credit likely to continue supporting overall credit expansion, while the recovery in business credit is expected to remain gradual amid cautious borrowing conditions. The stable monetary policy stance should provide some relief to borrowers; however, elevated interest rates, rising fuel prices, geopolitical uncertainty, commodity price volatility and potential renewed inflationary pressures remain key risks to the outlook. These factors could influence household borrowing, business investment, credit demand and debt-servicing capacity over the remainder of 2026.