Credit extended to the private sector increased by N$609.4 million, or 1.0%, in June 2014 to N$63.7 billion. On an annual basis PSCE growth eased to 15.4% year on year, when compared to 16.0% year on year the preceding month, with total credit outstanding now N$8.5 billion more than a year ago. The growth rate recorded in June was underpinned by expansion in both the corporate and individual segments of the market. The split between business and private credit in total debt outstanding is 39.1% to 60.5%. All in all, PSCE continues to play out as we projected with a slowdown in corporate credit dragging overall growth lower while offset be a continuing uptick in household credit growth.

Credit extension to households

Credit extension to households expanded by 0.7% on a monthly basis and 13.7% on an annual basis in June, as slightly faster rate of growth than was seen in the preceding month. The growth in credit extension to households can be largely ascribed to prolonged and historically low interest rates in Namibia, allowing for the relatively cheap uptake of credit by interest sensitive households.

Growth was recorded for most of the sub categories in household credit on a month on month basis, with the main categories driving growth being instalment credit, which expanded by 2.2%, and overdrafts, which went up 1.7%, during the month. Over the past year, the majority of the credit extended to households was in the form of mortgage loans (N$2.6 billion out of a total of N$4.6 billion), which expanded by 12.6% from last year, largely reflecting strong house price increases in Windhoek and at the coast. Other claims decreased by N$83.5 million in June to a N$15.9 billion at the end of June 2014, following a decrease of 11.1% in May. This increase is a result of growth in instalment credit, which expanded by 17.5% in June on a year-on-year basis, slightly higher than 16.0% in May. Installment sales credit includes credit extended for the purchase of vehicles, electronics and other consumer goods, bought with installment contract payments. Broadly speaking, installment credit extension to households is perceived to be "non-productive", used to purchase consumer goods, most of which are imported, placing pressure on the country’s balance of payments and reserves.

Credit extension to corporates

Credit extension to corporates grew by 17.8% year-on-year in June, down from 18.5% in May. On a monthly basis all the sub-categories, except overdrafts, expanded during the month in question. On a year-on-year basis, mortgage loan growth increased to 10.2% and “other loans & advances” growth accelerated to 15.1%, while overdraft growth slowed from 19.8% in the previous month to 9.6% this month. Unlike credit extension to households, high growth in credit extended to corporates is unlikely to be as a result of low interest rates, as corporates in Namibia tend to be less sensitive to interest rate changes than households.

Money Supply and Reserves

Foreign reserves increased 2.5% month-on-month to N$15.9 billion at the end of June 2014, following a decrease of 11.1% in May. This increase is a result of increases in interest rates and tax payments in June, and a SACU receipt on July 1st.

M2 growth increased to 6.9% in June, down from growth of 8.5% in May. The slow growth in M2 mainly emanated from a decrease in the net foreign assets of other depository corporations and domestic claims, down 5.0% m/m.

Looking forward, we expect credit growth to remain strong through 2014 despite the 25bps rate hike in June and further expectations of interest rate increases, as real income growth is expected to remain elevated given the buoyant economic conditions within the country, which will reinforce demand for credit from households. A slowdown in corporate credit is however expected to lead a broad based slowdown in PSCE.
Credit Split

Credit Categories

Source: Bank of Namibia

Businesses

Individuals

Source: Bank of Namibia

Nonperforming loans per category

Foreign reserves N$ millions

Source: Bank of Namibia

Value in N$ million and Percentage Breakdown

M2 and PSCE Growth

Source: Bank of Namibia
Managing Director
Romé Mostert
Tel: +264 (61) 383 520
reme@ijg.net

Sales and Research
Rowland Brown
Tel: +264 (61) 383 513
rowland@ijg.net

Jan-Hendrik Conradie
Tel: +264 (61) 383 523
janhendrik@ijg.net

Money Market & Administration
Leon Maloney
Tel: +264 (61) 383 521
leon@ijg.net

Tashiya Shekutamba
Tel: +264 (61) 383 511
tashiya@ijg.net

Director
Mark Späth
Tel: +264 (61) 383 510
mark@ijg.net

Financial Manager
Jakob de Klerk
Tel: +264 (61) 383 517
jakob@ijg.net

IJG Direct
Naïke Burger
Tel: +264 (61) 383 515
naike@ijg.net

Equity & Fixed Income Dealing
Nigel Mubita
Tel: +264 (61) 383 514
nigel@ijg.net

Stuart Main
Tel: +264 (61) 383 512
stuart@ijg.net

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