

Date: 1 October 2018

Private sector credit extension August 2018 – strong demand by businesses

The Bank of Namibia has released selected statistical data for August 2018 that cover among others the extension of credit to the private sector (PSCE).

We cover some of the highlights:

- **Total credit extended** to the private sector rose by 1.5% from NAD93,409 million in July to NAD94,783 million in August 2018. This is the strongest month-on-month increase since almost three years. In November 2015 PSCE increased by 1.9% compared to October 2017. In absolute terms, PSCE grew by NAD1,375 million in August compared to July after an increase by NAD293 million in July compared to June.
- The **overall increase in credit extension** was driven by businesses. After a decline in credit extended to businesses by NAD159 million in July compared to June, demand by businesses increased strongly by NAD886 million or by 2.4% in August compared to July. It is the strongest month-on-month growth since November 2015 (2.6%).
- **Credit extended to individuals** grew by NAD452 million in August, which was slightly below the growth in July by NAD473 million. On a month-on-month basis credit extension slowed down from 0.9% in July to 0.8% in August.
- PSCE to businesses increased by **4.3% since the beginning of the year** and to individuals by 3.5%. Both growth rates exceed growth experienced in August 2017 of 3.7% and 2.6% for businesses and individuals respectively.
- **Credit extended to individuals accounted** for 58.6% of total credit extended to the private sector compared to 40.1% extended to businesses.
- **Mortgages absorbed** 52.1% of total credit extended, which is below the average so far this year. Mortgages were driven by individual demand that increased by 1.1% month-on-month to NAD37,921 million, while demand by businesses dropped minimally by 0.01% to NAD11,481 million. Mortgages extended to individuals rose by 4.6% since beginning of the year, which is above the growth rate experienced over the first eight months of 2017 (2.4%). In contrast, mortgages extended to businesses grew by 9.7% until August 2017, but by only 2.2% until August 2018.
- **On a year-on-year basis** (August 2018 compared to August 2017), the value of mortgages increased by 7.2% - the second lowest growth rate since eight years. In August 2010 mortgages rose by just 4.9%, while in July 2018 they increased by 6.7%.

The overall stronger increase of credit extended to businesses than credit extended to individuals is good news, since credit to individuals is often used for consumption that does not yield an economic return. However, it remains to be seen, whether the demand for credit by businesses can maintain the momentum, since the economy is still facing headwinds in terms of rising fuel prices, depreciation of the currency and lower commodity prices (with the exception of oil).