

Date: 3 September 2018

Private sector credit extension continued to increase in July 2018

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

Herewith our main findings:

- **Total credit extended** to businesses and to individuals amounted to NAD93,409.2 million in July 2018. Overall credit extension grew by 0.3% compared to June 2018 or by NAD292.8 million. It is the 13th consecutive months of increased credit extension after a drop by 0.5% in June 2017 compared to May 2017.
- The **overall increase in credit extension was driven** by growth in credit extended to individuals. Credit extended to individuals increased in July 2018 to NAD55,087.7 million representing an increase of 0.9% compared to June 2018 after a slight decline of 0.1% in June compared to May 2018. This is the strongest monthly growth so far this year.
- **Credit extension to individuals** rose by 6.7% on an **annual basis** compared to July 2017, which is weaker than the annual growth of credit extension during the months of January to May 2018. It remains also below the double-digit growth during almost all months between January 2011 and August 2016. Annual growth in credit extended to individuals peaked at over 15% during the first few months in 2014.
- In contrast, **credit extension to businesses dropped** by 0.4% compared to June 2018 and amounted to NAD37,092.7 million. Credit extended to businesses has seen contractions in three of the seven months this year, but remains overall 2.2% above the level at the end of 2017.
- **Annual growth in credit extension** to businesses dropped from 4.2% in June 2018 (compared to June 2017) to 3.4% in July 2018 compared to July 2017. Although it is the second strongest annual growth rate since September 2017, it remains substantially below growth rates experienced since January 2006. During the decade of January 2006 to October 2016, credit extension to businesses grew by double-digit figures peaking at 23.9% in January and March 2007.
- **Credit extended to individuals accounted** for 59% of total credit extended to the private sector compared to 39.7% extended to businesses. During 2006, credit extended to individuals made up two-thirds of total credit extension to the private sector, but the share has declined since then.
- **Mortgages accounted** for 52.4% of credit extended. The bulk of mortgages are taken up by individuals (NAD37,502.5 million) compared to NAD11,482.8 million by businesses in July 2018. While mortgages to individuals increased by 1.0% compared to June 2018, mortgages to businesses declined by 1.9% over the same period. Mortgages' share of PSCE has remained fairly stable over time even during the construction boom.

The slow growth compared to previous years of credit extension to the private sector reflects the subdued sentiments in particular in the business sector and indicates that the economy is still facing headwinds. This is particularly true for the construction sector that does not receive much of a boost from the private sector as the slow, month-on-month increase in mortgages suggests.