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Private sector credit extension September 2018 – demand by businesses remains strong

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

Herewith some of the highlights:

- Total **credit extended** to the private sector **rose by 7.3%** compared to September 2017- the **fastest pace** on an annual basis since May 2017 –to NAD95.3 billion in September 2018. Compared to August 2018, PSCE increased by 0.6%, which was below the increase in August (1.5%), but the fourth strongest this year.
- **Credit extended to the business sector** increased on an **annual basis** (compared to September 2017) to 6.0% from 5.2% in August, while credit extended to individuals slowed down slightly from 7.0% in August to 6.9%. On a month-on-month basis (September compared to August) credit extension slowed down from 0.8% to 0.5% (for individuals) and from 2.4% to 0.8% for businesses.
- **Compared to the beginning of 2018**, credit extended to businesses expanded faster (5.2%) than credit extended to individuals (4.0%). At the same time in 2017, credit extended to the private sector had increased by only 2.2% compared to the beginning of 2017, while credit extended to individuals had grown slightly stronger (4.3%) than so far this year.
- **Individuals** continue to **absorb most of total credit extended** (58.6%), while businesses absorbed 40.2%. The remaining 1.2% are extended to the non-resident private sector.
- **Individuals have borrowed** a total of **NAD55.8 billion**, up by NAD279 million compared to August, while businesses borrowed NAD38.3 billion, up by NAD308 million.
- **Mortgages accounted for 52.1% of total PSCE**, the same share as in August, totalling NAD49.7 billion. Mortgage accounted for 68.3% of total funds for individuals (NAD38.1 billion), while they accounted for 30.3% of total funds borrowed by businesses (NAD11.6 billion).
- The **total amount of mortgages extended to individuals increased stronger** (5.0%) than **mortgages extended to businesses** (3.1%) since the beginning of 2018. Compared to September 2017, mortgages extended to individuals rose by 7.9% and mortgages extended to businesses by 4.9%. Both increases are some of the lowest year-on-year increases during 2018.
- While mortgages extended to individuals rose slightly stronger since the beginning of 2018 (5.0%) than between the beginning of 2017 and September 2017 (4.9%), mortgages extended to businesses could not keep pace so far this year compared to the first nine months in 2017 – 3.1% compared to 4.3%.

The stronger growth in credit extended to the private sector compared to credit extended to individuals is in general a welcome sign since households (individuals) are already highly indebted. Furthermore, they often use loans for non-productive purposes. However, other loans and overdrafts advanced to businesses

have increased more rapidly – by 20.0% and 3.7% respectively – since the beginning of the year than mortgage loans. At the same time, leasing transactions dropped by 6.9% since the beginning of 2018. These figures are indicative of the economic headwinds businesses are facing in general and the cash flow challenges in particular that result in increasing overdrafts.