

31 October 2023

Australian private credit, September Annual growth slips below 5%, a fresh two year low. September 0.5% mth, 4.9% yr.

Credit to the private sector grew by 4.9% over the year to September, slowing from 5.2% in August and from a high of 8.9% last September and October. That has annual credit growth at a fresh two year low - the slowest pace since August 2021, when the delta outbreak was impacting NSW and Victoria.

For September, credit grew by 0.5% in the month. That is a fraction above the 0.4% average monthly pace for the 2023 year to date.

The September detail included: housing expanded by 0.4% mth, 4.2% yr, business grew by 0.8% mth, 6.8% yr, and personal rose 0.6% mth, 2.3% yr.

As we've discussed previously, the back story is that credit growth slowed appreciably during 2022 in the face of sharply higher interest rates which reduced borrowing capacity. The monthly pace of credit growth stepped lower between the first nine months of 2022 (a 0.7% average) and the final quarter (a 0.4% average).

As noted above, credit growth has held at a 0.4% monthly average for the 2023 year to date - albeit with some volatility month to month. That stabilisation in the monthly pace mirrors developments in the housing market.

The housing market did feel the impacts of sharply higher interest rates. From the start of 2022 to February 2023, new lending for housing declined as borrowing capacity was sharply curtailed, with lending down by 33% (retreating from very high levels).

However, in 2023 there are signs of a stabilisation of the housing market - notably of dwelling prices, at a time of tight supply. New lending over the six months February to August rebounded by 8.6%.

Currently, annual housing credit growth is 4.2%, the slowest pace since March 2021 and moderating from a cycle high of 7.9% during the first half of 2022. The three month annualised growth pace has consolidated at 4.0%.

Business credit growth has averaged 0.55% per month for the 2023 year to date, throttling back from a 0.94% average in 2022. Annual business credit growth has progressively moderated, to be at 6.8% currently, the slowest pace since late 2021.

Late cycle resilience in business investment, particularly on the construction side but also on equipment investment, has provided some support to business lending throughout 2023.

However, moving into 2024, business investment is not expected to keep running ahead of the economy. Firms will likely cool investment spending (notably on equipment) given softer demand, the end of generous tax incentives on 30 June 2023 and high interest rates - a development which will weigh on business lending.

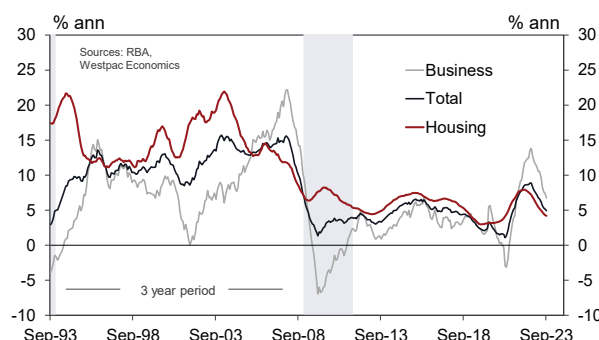
Andrew Hanlan, Senior Economist

Credit

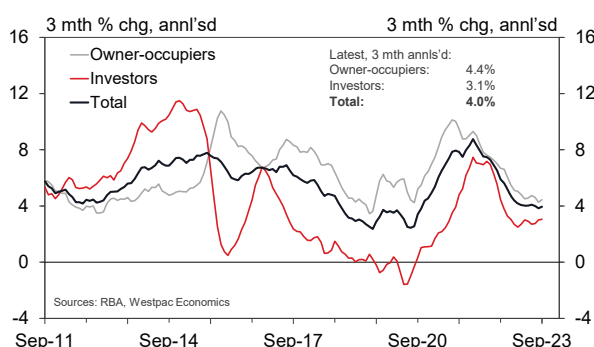
Item	Mth		Ann	
	Aug	Sep	Aug	Sep
Total credit	0.4	0.5	5.2	4.9
Business	0.7	0.8	7.4	6.8
Other personal	0.8	0.6	1.6	2.3
Housing, total	0.3	0.4	4.3	4.2
Owner-occupier housing	0.3	0.4	5.0	4.9
Investor housing	0.3	0.2	2.9	2.9

Sources: RBA, Westpac Economics.

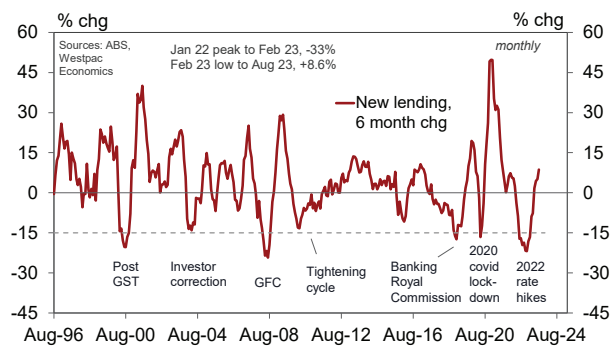
Total credit: annual growth 4.9%, a 2 year low



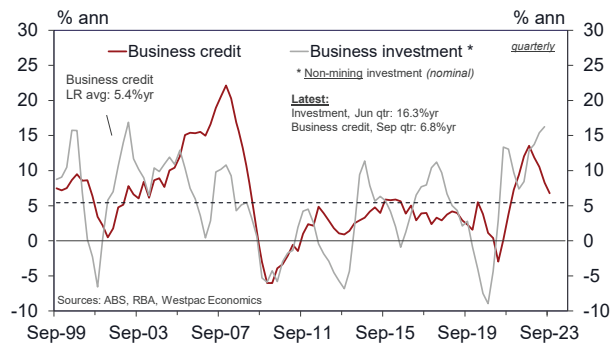
Housing credit: growth pulse at 4.0%



Housing finance: off lows in 2023



Business credit & investment



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Disclaimer continued

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