

30 April 2024

## Australian private credit, March Credit growth remains subdued. February 0.3% mth, 5.1% yr.

Private sector credit grew by 0.3% in March, a slight softening on the 0.5% gains in January and February and compared to the average of the past half year (0.41% per month).

This modest growth occurred in an environment of elevated interest rates and a sluggish economy - but also an economy operating at a high level of capacity, with unemployment still near historic lows and a housing market where demand is outstripping limited supply.

Annual credit growth ticked up slightly to 5.1%. That compares with a post 2000 average of 7.5%yr. Note that this is in the context of relatively high inflation, the CPI up 3.6% over the year to March.

All components recorded slight up-ticks in annual credit growth.

Housing credit annual growth lifted slightly from 4.2% to 4.3% but remains near historic lows. The only weaker period was through 2019 (at 3.0%) and 2020 (at 3.5%). It is in line with the low point of the 2013 cycle.

Business credit growth nudged up to 7%yr but remains down on the brisk 11.9%yr pace in 2022 and is broadly in line with the historic average. Note that a material component of that 7% will relate to business investment inflation, which was running at an elevated 3.7% for 2023, the capex survey reports.

The March detail included: housing expanded by 0.4% mth; business grew by 0.5% mth; and personal rose by 0.3% mth.

The back story: credit growth slowed appreciably in 2022 in the face of sharply higher interest rates which reduced borrowing capacity. Credit grew an average 0.7% per month over the initial 9 months of 2022 (including 0.6% for housing and 1.1% for business). The monthly pace has since stepped lower to around 0.4-0.5%.

The housing market felt the impacts of sharply higher interest rates in 2022, new lending for housing down by 33% over the year to Feb 2023 (retreating from very high levels). But since then the established housing market has lifted, prices squeezing higher as strong population-driven demand combined with tight supply. New lending since February 2023 is up by 13%.

Turning to business credit: annual growth has moderated from a 2022 peak of almost 14%, to 7% currently. Some further moderation in business credit growth is likely against the backdrop of soft economic growth. There was a material cooling of real non-mining business investment over the second half of 2023 (contracting by -1%, a sharp turnaround from a 14.2% expansion in the year to the June quarter 2023) and the prospect of a flat first half of calendar 2024.

From mid-2024 and into 2025, as policy settings become less restrictive, we anticipate that positive investment fundamentals will reassert themselves, driving an emerging upward trend in business investment spending.

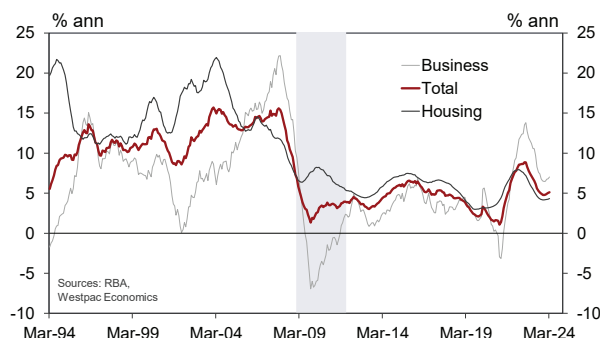
**Matthew Hassan**, Senior Economist

### Credit

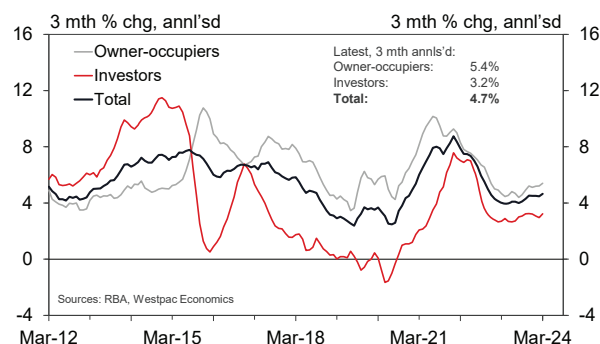
Item	Mth		Ann	
	Feb	Mar	Feb	Mar
Total credit	0.5	0.3	5.0	5.1
Business	0.6	0.5	6.8	7.0
Other personal	0.3	0.3	2.4	2.9
Housing, total	0.4	0.4	4.2	4.3
Owner-occupier housing	0.4	0.4	4.8	5.0
Investor housing	0.2	0.3	3.0	3.0

Sources: RBA, Westpac Economics.

### Credit growth holds at around 5%yr

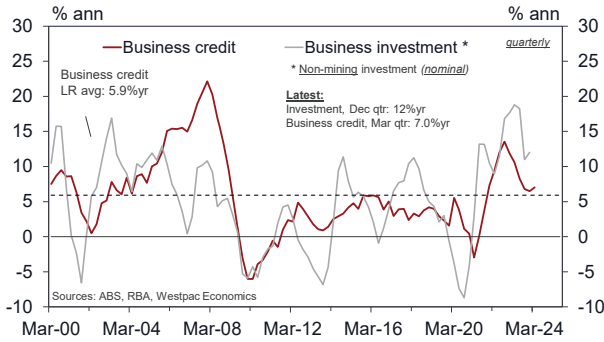


### Housing credit: growth pulse a subdued 4.7%

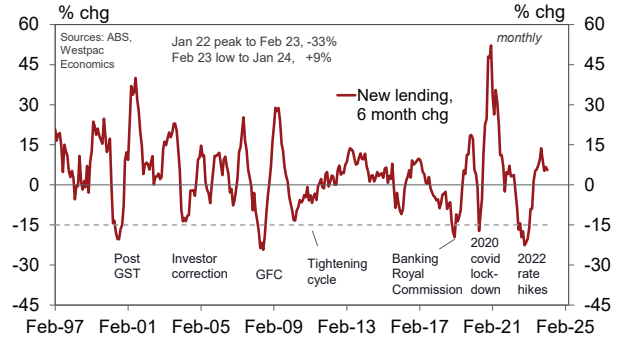


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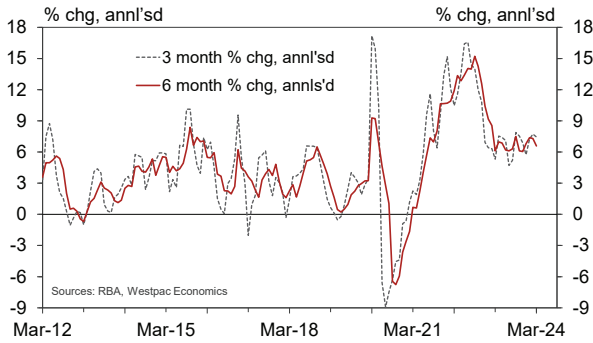
### Business credit & investment



### Housing finance: rebounded in 2023



### Business credit: 6 mth annls'd growth at 6.6%



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