BULLETIN

31 May 2024

Australian private credit, April
Credit growth pulse subdued but steady. April 0.5% mth, 5.2% yr.

Private sector credit grew by 0.5% in April to be up 5.2%yr both basically unchanged on March and the tight range growth has been holding in over the last nine months.

Credit continues to expand at a modest pace, restrained by elevated interest rates and a sluggish economy on the one hand but supported by a need to add to capacity with business still operating close to capacity, unemployment at historic lows and a population-driven demand pressures on housing supply.

This ‘tug of war’ is currently seeing little or no direction to credit growth, which remains below par by historical standards. Annual credit growth at 5.2% compares with a post 2000 average of 7.5%yr but is more in line with the subdued post-GFC average of 4.6%.

Note that this is in the context of relatively high inflation, the CPI up 3.6% over the year to April.

Component-wise, a slight lift in housing credit growth was offset by a tick lower in business credit.

Housing credit annual growth lifted from 4.3% to 4.5%, a ten month high but still subdued by historic standards, the only weaker periods during cycle lows in 2019 (3.0%) and 2020 (3.5%). The detail shows investor credit still lagging behind owner occupier credit growth. This is despite a slightly stronger upturn in new lending for investor housing and reflects the weakness of activity in this segment over the previous five years and the lower starting point for new lending relative to outstanding debt.

Personal credit ticked up 0.2%mth, and continues to track a subdued 3.2%yr annual pace.

Business credit growth dropped back to 6.8%, reversing a brief blip higher to 7.3% in March. The pace is well down on the brisk 11.9%yr growth in 2022 but above the average pace in the decade prior to COVID and broadly in line with longer run averages. Note that a material component of that 7% will relate to inflation, especially around construction activity.

Credit growth should gradually regain traction from here, particularly as policy settings become less restrictive heading into 2025. Positive investment fundamentals will also be a factor with a solid up-trend in business investment expected to emerge in coming years.

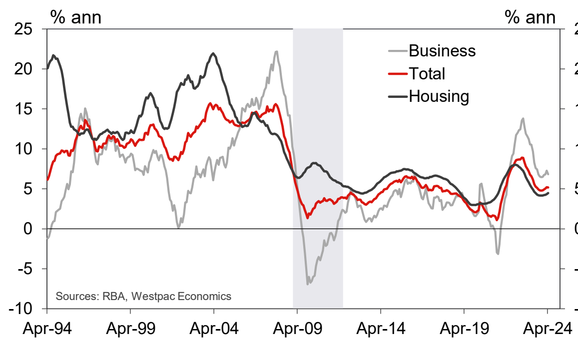
Matthew Hassan, Senior Economist

Private sector credit, April 2024

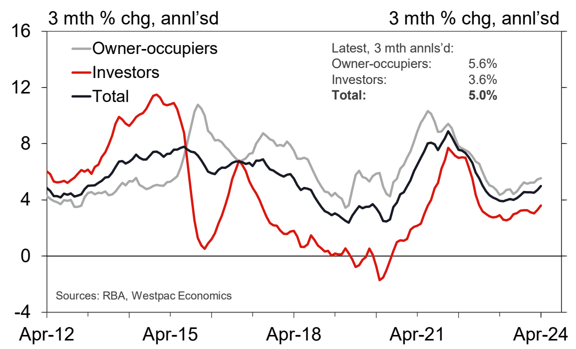
	mth%		ann%	
Item	**Mar**	**Apr**	**Mar**	**Apr**
Total credit	0.4	0.5	5.2	5.2
Business	0.6	0.6	7.3	6.8
Other personal	0.4	0.2	3.1	3.2
Housing, total	0.4	0.4	4.3	4.5
Owner-occupier housing	0.5	0.5	5.0	5.1
Investor housing	0.3	0.3	3.0	3.1

Sources: RBA, Westpac Economics

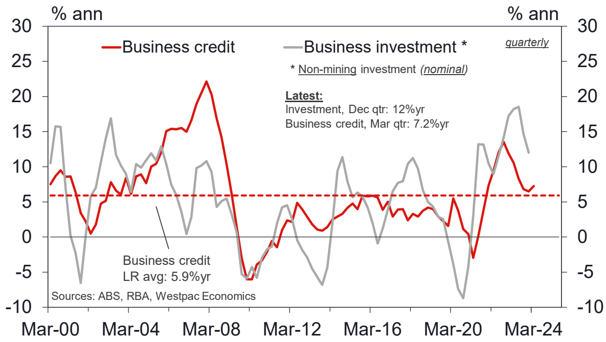
Credit growth holds at around 5%yr



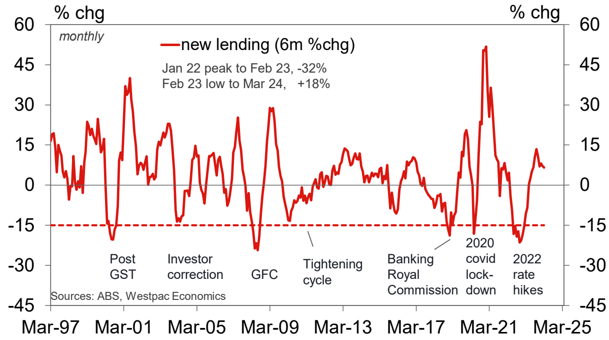
Housing credit: growth pulse ticks up to 5%



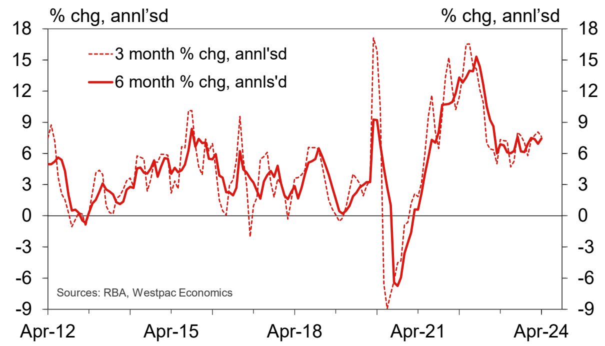
Business credit & investment



Housing finance: recovered in 2023-24



Business credit: 6 mth annls'd growth at 7.4%



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