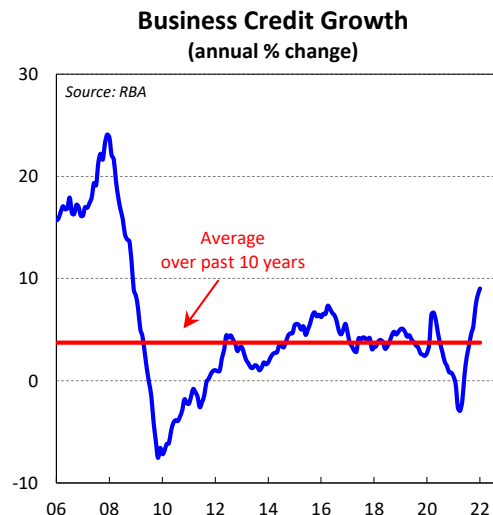
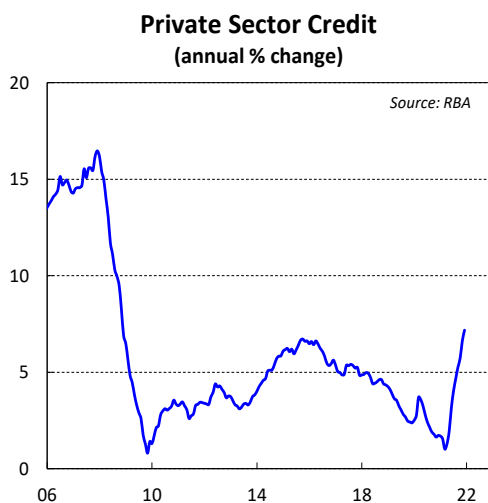


Monday, 28 February 2022

Private Sector Credit

Business Credit Upswing Deepens

- **Omicron failed to sideline the economic recovery. The credit figures speak to the resumption of the recovery in economic activity after the lockdowns of Delta hurt growth in the September quarter.**
- **Credit extended to the private sector grew 0.6% in January, taking annual growth to a fresh 13-year high of 7.6%. Households borrowing for housing and businesses borrowing to invest and expand are driving this growth.**
- **Credit extended for housing continues to be a stellar performer. It grew 0.7% in January, which is the third straight month of growth at this pace. Housing credit grew by 7.7% on a year ago - the fastest annual pace since August 2010.**
- **The upswing in business credit, that began early last year, continued in January. Business credit jumped 0.6% in January, after two incredibly solid monthly rises of 1.1% and 1.6%, respectively. This takes the monthly increases to nine in a row. Annual growth of business credit rose to 9.0%, which is a 13-year high, and well above the 10-year average of 3.7%.**
- **Generous government incentives, namely, the loss carry back and instant asset write-off initiatives are still available until the end of the 2022-23 financial year. These incentives are helping underpin growth in business spending and credit.**
- **There had been a modest uptick in businesses calling for relief due to Omicron, however, this has only been short term. An internal survey of our SME customers revealed the impact of Omicron is expected to be short lived. And nearly three quarters of SME leaders are expecting their business to grow or sales to increase in the next year.**



Omicron failed to sideline the economic recovery. The credit figures speak to the resumption of the recovery in economic activity after the lockdowns of Delta hurt growth in the September quarter. Credit extended to the private sector grew 0.6% in January, taking annual growth to a fresh 13-year high of 7.6%. Households borrowing for housing and businesses borrowing to invest and expand are driving this growth.

Housing

Credit extended for housing continues to be a stellar performer. It grew 0.7% in January, which is the third straight month of growth at this pace. It's a pace that is firmer than the 2021 average. On a year ago, housing credit grew by 7.7% - the fastest annual pace since August 2010.

Housing credit continues to grow strongly despite worsening affordability pressures. This follows significant increases in housing prices over 2021 and increases in fixed mortgage lending rates across lenders. Credit growth for owner occupiers continues to outpace investors. Owner-occupier credit rose 0.8% in January, versus 0.4% for investors.

Business

Meanwhile, the upswing in business credit, that began early last year, continued in January. Business credit jumped 0.6% in January, after two incredibly solid rises of 1.1% and 1.6%, respectively, over December and November. This takes the monthly increases to nine in a row.

Annual growth of business credit rose to 9.0% in January, which is a 13-year high, and well above the 10-year average of 3.7%.

Generous government incentives, namely, the loss carry back and instant asset write-off initiatives are still available until the end of the 2022-23 financial year. These incentives are helping underpin growth in business spending and credit.

A recent internal survey of a large number of our SME customers revealed that a high share of SME leaders (72%) are optimistic about the current business environment. Such findings are consistent with the improvement underway in confidence as Omicron has peaked. It's also consistent with a resumption in the economic recovery.

Customer liaison suggested there has been a modest uptick in businesses calling for relief due to Omicron, however, this has only been short term. Indeed, the same internal survey revealed the impact of Omicron is expected to be short lived; the average SME leader anticipates their business will recover from Omicron in just over 5 months. And nearly three quarters of SME leaders are expecting their business to grow (72%) or sales to increase (72%) in the next year.

Other personal

Other personal credit, which includes credit cards and personal loans, bucked the trend. This category slid 0.6% in January, resuming the renewed decline that began in December.

Outlook

We expect the expansion in credit growth to continue in coming months, underpinned by a resumption of the economic recovery, low rates, falling unemployment and generous government incentives. However, we expect the Reserve Bank to start a rate-hike cycle in August. Geopolitical tensions have also added to uncertainty. The major concerns for Australian businesses remain labour shortages, global supply-chain disruptions and mounting inflationary pressures.

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