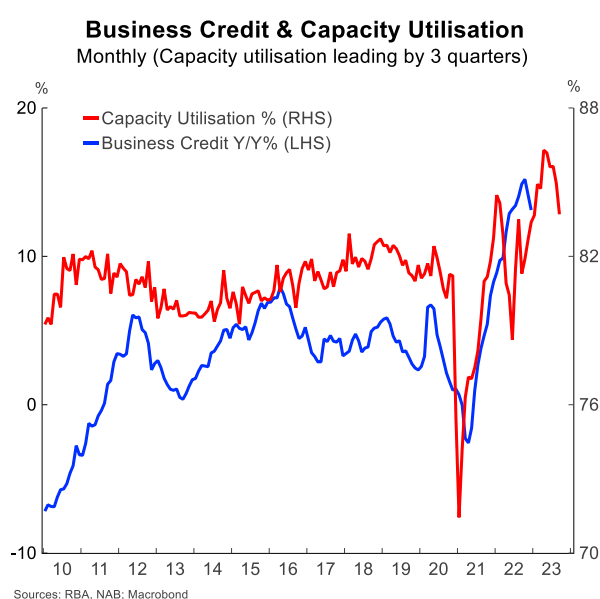
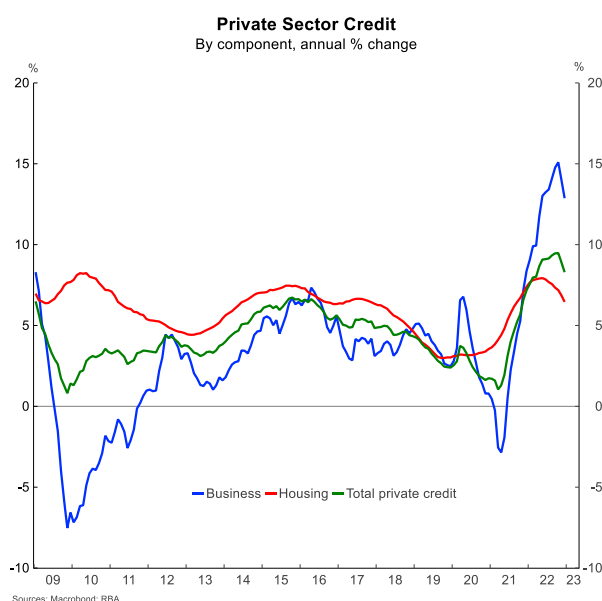


Tuesday, 31 January 2023

Private Sector Credit

Private Credit Growth Slows to a Crawl

- Private credit growth eased to 0.3% over December, the slowest monthly gain since February 2021. The outcome was a clear step down from the average monthly growth of 0.6% recorded since the start of the Reserve Bank's (RBA's) hiking cycle in May 2022.
- In annual terms, credit remains 8.3% higher than a year ago. This outcome also represents an easing from the peak annual growth of 9.5% recorded in September 2022.
- Business credit growth is now showing some clear signs of decelerating. Business credit grew by 0.3% in December, the lowest monthly expansion since April 2021. In annual terms, business credit was 12.9% higher than a year ago, after recording a peak of 15.1% in October 2022. This is consistent with businesses reporting a softening in conditions, an increase in capacity utilisation and a pause in their intentions to expand and/or invest in capital goods.
- Housing credit grew by 0.3% in December, the softest monthly read since October 2020. Credit to owner occupiers rose 0.4% in the month whilst credit to investors grew 0.3%. Higher mortgage rates and the possibility of more rate hikes are clearly impacting housing credit.
- Housing and households are the most sensitive to rate hikes. Business credit growth is now also clearly in a downturn. We anticipate credit to consumers, housing and businesses will slow further over 2023, especially as economic activity continues to soften.



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