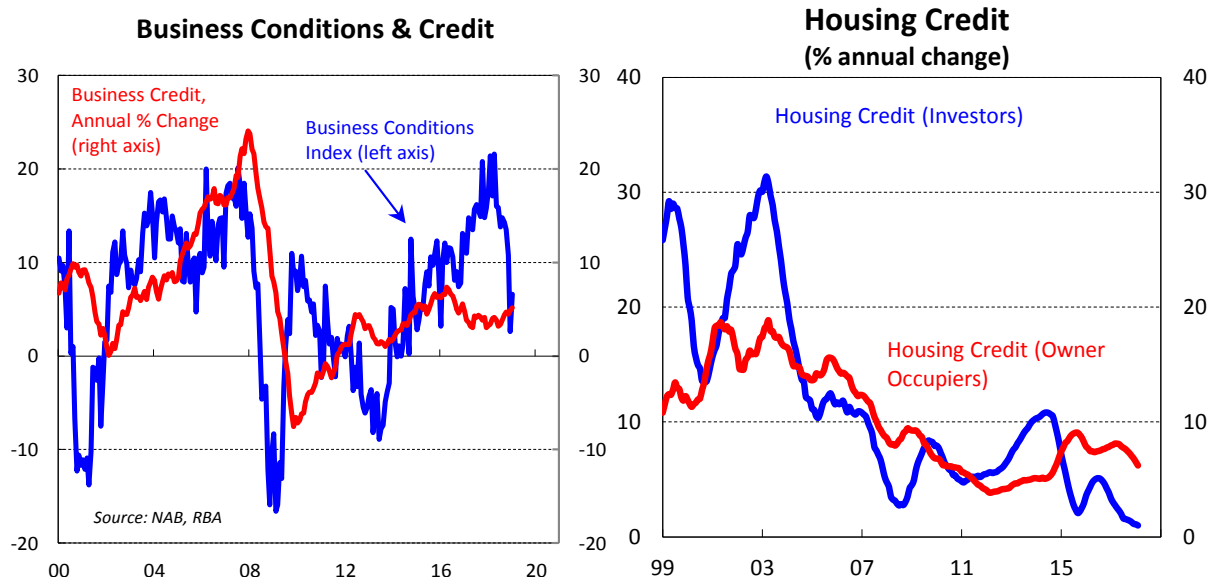


Private Sector Credit

Weakest Pace in Housing Credit Since 1984

- Private sector credit grew at just 0.2% in January, maintaining a weaker pace of growth in comparison to much of 2018. The annual pace of growth stepped down from 4.4% in December to 4.3% in January, the weakest annual rate since February 2014.
- Weakness is continuing to be concentrated in housing credit as the housing downturn is extending. Housing credit grew just 0.2% in January, the weakest monthly growth since 1984. While there has been ongoing weakness in credit for investor housing, growth in credit to owner occupiers has slowed substantially.
- The recent weakening in business conditions, reflected in business surveys, have yet to translate to a material softening in business credit. Business credit grew 0.3% in January for annual growth of 5.2%. It was the strongest annual pace in two years. While in January, the NAB business conditions index rebounded to be back above its long-run average, it is still pointing to a weakening trend. There continue to be downside risks given the more uncertain global backdrop and the downturn in the domestic housing market.
- The soft conditions in the household sector were further reflected in the ongoing contraction in personal credit which includes personal loans and credit cards. Other personal credit fell 0.6% in January, for a 2.8% annual decline, the weakest since October 2009.



Private sector credit grew by just 0.2% in January, maintaining a weaker pace of growth in comparison to much of 2018. The annual pace of growth stepped down from 4.4% in December to 4.3% in January, the weakest annual rate since February 2014. Credit growth is slowing in step

with a loss of momentum in economic activity and tighter credit conditions.

Weakness is continuing to be concentrated in housing credit, as the housing downturn extends deeper. Housing credit grew just 0.2% in January, the weakest monthly growth rate since 1984. While there has been ongoing weakness in credit for investor housing, growth in credit to owner occupiers has slowed substantially. Owner-occupier housing credit grew just 0.3% in January, which was the weakest monthly growth since October 2013. The annual pace slipped from 6.5% to 6.2%.

The soft conditions in the household sector were further reflected in the ongoing contraction in personal credit, which includes personal loans and credit cards. Other personal credit fell 0.6% in January, for a 2.8% annual decline, the weakest since October 2009.

The recent weakening in business conditions, reflected in business surveys, have yet to translate to a material softening in business credit. Business credit grew 0.3% in January for annual growth of 5.2%. It was the strongest annual pace in two years. While in January, the NAB business conditions index rebounded to be back above its long-run average, it is still pointing to a weakening trend. There continue to be downside risks given the more uncertain global backdrop and the downturn in the domestic housing market.

The soft pace of credit growth provides an additional sign of weakening activity within the domestic economy.

Janu Chan, Senior Economist
Ph: 02-8253-0898

Contact Listing

Chief Economist

Besa Deda

dedab@bankofmelbourne.com.au

(02) 8254 3251

Senior Economist

Josephine Horton

hortonj@bankofmelbourne.com.au

(02) 8253 6696

Senior Economist

Janu Chan

chanj@bankofmelbourne.com.au

(02) 8253 0898

The Detail

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