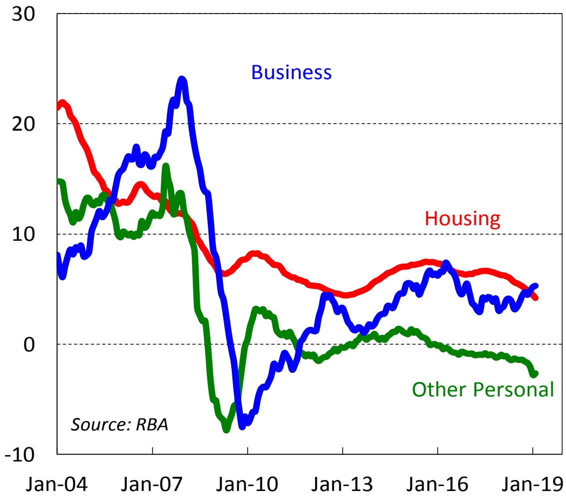
Private Sector Credit

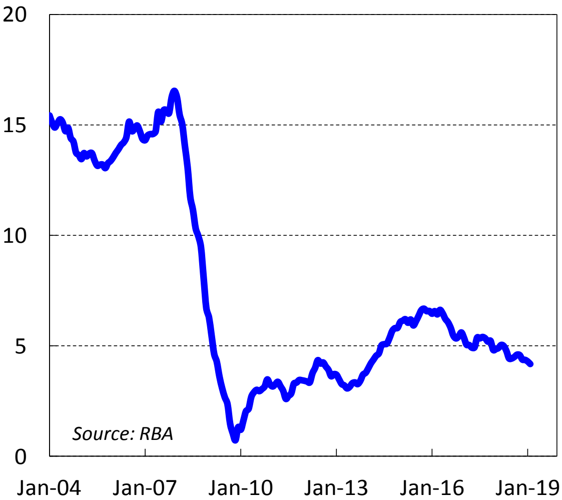
Stabilising Signs?

- **Private sector credit grew 0.3% in February, the strongest pace in three months. While the outcome was better than expected, it remains a subdued pace of growth. This ongoing weakness is reflected in an easing in the annual pace of growth from 4.3% in January to 4.2% in February, the softest pace in five years.**
- **In the sector breakdown, there were some slightly encouraging signs. Housing credit grew 0.3% in February, after 0.2% growth in January. It was driven by a pickup in owner-occupier housing credit from 0.3% in January to 0.4% in February. Growth in investor housing was flat in February. Annual growth in housing credit overall slowed from 4.4% to 4.2%, which was the weakest since this data series began in 1976.**
- **Business credit grew at 0.3%, a similar pace of growth of the past three months. The downwards shift in business confidence and conditions does not appear to be translating into a marked deterioration in business credit growth yet. The annual rate edged up from 5.2% to 5.3%, although this is sitting below the long-run average growth of 5.3%.**
- **Today's data could be a positive sign that economic conditions are not deteriorating further. It follows a loss of momentum in the domestic economy around the turn of the year. Nonetheless, the data is continuing to point to soft conditions, particularly within the household sector.**

Private Sector Credit
(by component, annual % change)



Private Sector Credit
(annual growth, %)



Private sector credit grew 0.3% in February, the strongest pace in three months. It was also above market expectations for 0.2% growth.

While the outcome was better than expected, it remains a subdued pace of growth. This ongoing weakness is further reflected in an easing in the annual pace from 4.3% in January to 4.2% in February, the softest pace in five years.

In the sector breakdown, there were some slightly encouraging signs. Housing credit grew 0.3% in February after 0.2% growth in January. It was driven by a pickup in owner-occupier housing credit from 0.3% in January to 0.4% in February. Growth in investor housing was flat in February. However, despite the signs of potential stabilisation, annual growth remained very weak. On a year ago, owner-occupier housing credit slipped from 6.2% in January to 5.9% in February. Annual growth in investor housing credit eased from 1.0% to 0.9%. Indeed, housing credit overall slowed from 4.4% to 4.2%, which was the weakest since this data series began in 1976.

Other personal credit continued to contract, falling 0.1% in February, although this was the smallest contraction in five months. The annual rate of decline eased from 2.8% to 2.7%.

Business credit grew at 0.3%, a similar pace of growth of the past three months. The downwards shift in business confidence and conditions does not appear to be translating into a marked deterioration in business credit growth yet. The annual rate edged up from 5.2% to 5.3%, although this is sitting below the long-run average growth of 5.3%.

Today's data could be a positive sign that economic conditions are not deteriorating further. It follows a loss of momentum in the domestic economy around the turn of the year. Nonetheless, the data is continuing to point to soft conditions, particularly within the household sector.

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The Detail