Data Snapshot

Tuesday, 30 April 2019

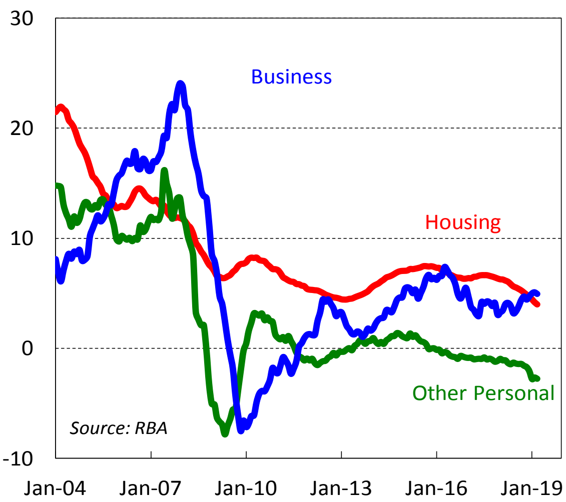
Bank of Melbourne

Private Sector Credit

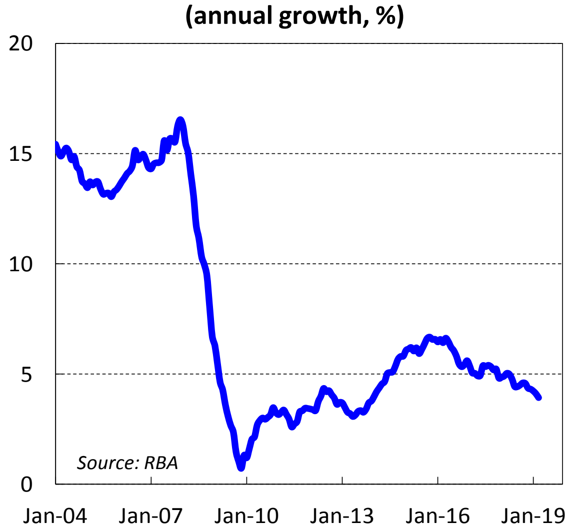
Housing Credit Growth Hits New Record Lows

- **Private-sector credit growth is continuing to grow at a slow, but steady, pace. In March, private-sector credit grew 0.3%, equalling the rate of growth in February. However, there are no races being won here. The annual rate of growth edged down from 4.1% in February to 3.9% in March, the weakest pace since December 2013 and below the long-run average of 4.3%.**
- **Credit growth for housing remained weak, reflecting the ongoing soft conditions in the housing market. Housing credit grew by just 0.2% in March, while the annual rate stepped down from 4.2% to 4.0%. It was the lowest annual growth since the series began in 1976.**
- **The weakness in housing was somewhat offset by some reassuring growth in business credit. In March, business credit grew 0.5%, the strongest monthly pace in five months. It remains encouraging that the deterioration in business conditions and confidence early this year is not having a significant impact to demand for lending. Nonetheless, the annual rate of growth remains modest, and stepped down from 5.1% in February to 4.9% in March.**
- **The below average pace of credit growth remains consistent with the tepid pace of economic growth over recent months. We are continuing to receive evidence of weakness within the housing market, although it is encouraging that credit to businesses is not deteriorating further.**

Private Sector Credit
(by component, annual % change)



Private Sector Credit
(annual growth, %)



Private sector credit grew 0.3% in March, equalling the rate of growth in February. However, the annual rate of growth edged down from 4.1% in February to 3.9% in March, the weakest pace since December 2013 and below the long-run average of 4.3%.

In the month, credit growth for housing remained weak, reflecting the ongoing soft conditions in the housing market. Housing credit grew by just 0.2% in March and while the annual rate stepped down from 4.2% to 4.0%. It was the lowest annual growth rate since the series began in 1976.

Weakness in housing credit continues to be concentrated in investors. Credit to investor housing was flat in March, and has not recorded growth for two consecutive months. Annual growth stepped down from 0.9% to just 0.7%, also the weakest on record. Growth in owner-occupier credit was stronger but remains subdued, at 0.4% in March for annual growth of 5.7%.

The weakness in housing was somewhat offset by some reassuring growth in business credit. In March, business credit grew 0.5%, the strongest monthly pace in five months. It remains encouraging that the deterioration in business conditions and confidence early this year is not having a significant impact on lending.

Nonetheless, the annual rate of growth remains modest, and stepped down from 5.1% in February to 4.9% in March.

Weakness in other personal credit persisted, and contracted 0.3% in March. This area of credit has not witnessed any growth for 14 months. The annual rate of decline stepped down from 2.6% to 2.8% in the year.

The below average pace of credit growth remains consistent with the tepid pace of economic growth over recent months. We are continuing to receive evidence of weakness within the housing market, although it is encouraging sign that credit to businesses is not deteriorating further.

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