Data Snapshot

Thursday, 31 May 2018

Bank of Melbourne

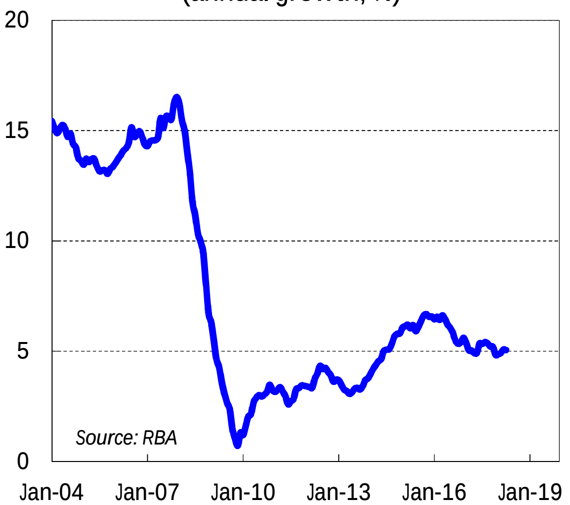
Private Sector Credit

Brakes on Housing Credit

- Private sector credit rose by 0.4% in April, in line with consensus and our forecasts, and sticking within a range of 0.3-0.5% growth which has been in place over the last ten months.
- On an annual basis, growth remained modest at 5.1%, and above the long-run average of 4.7%.
- A slowing in housing credit was notable. Housing credit grew 0.4% in April for annual growth of 6.0%. It was the weakest annual pace in four years. The weakness was concentrated in credit for investors, which edged just 0.1% higher in the month. Owner occupier-housing credit grew 0.6% in April.
- Business credit grew moderately, lifting 0.5% in April. It saw annual growth lift to 4.3% from 4.2% previously. Elevated business conditions continue to point to strong activity within the business sector.
- Other personal credit (which includes credit cards and personal loans) fell 0.3% in April, the third consecutive month of contraction. The annual rate of decline deteriorated from -1.0% to -1.2%. It was the weakest annual rate in other personal credit in six years. Households are unwilling to take on more personal debt given high levels of household debt and slow wages growth.

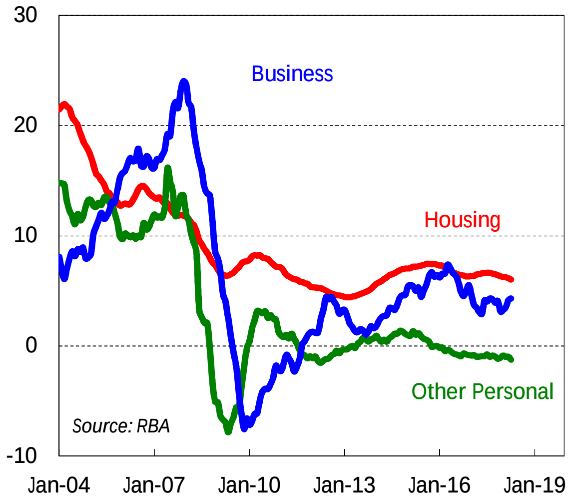
Private Sector Credit

(annual growth, %)



Private Sector Credit

(by component, annual % change)



Private sector credit rose by 0.4% in April, in line with consensus and our forecasts, and sticking within a range of 0.3-0.5% growth which has been in place over the last ten months.

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Meanwhile, business credit grew moderately, lifting 0.5% in April. It saw annual growth lift to 4.3% from 4.2% previously. Elevated business conditions continue to point to strong activity within the business sector.

Other personal credit (which includes credit cards and personal loans) fell 0.3% in April, the third consecutive month of contraction. The annual rate of decline deteriorated from -1.0% to -1.2%. It was the weakest annual rate in other personal credit in six years. Soft wage growth and ongoing high household debt levels is continuing to weigh on this form of credit.

Implications

Today's data continues to signal where strengths and weaknesses lie within the domestic economy.

The moderate growth in business credit along with strong business conditions continue to be encouraging signs for spending activity in the business sector. This is in spite of the somewhat disappointing private capex release today.

In contrast, housing credit growth is moderating reflecting softer conditions within the housing sector. The strain from slow wage growth and high household debt levels is also likely having an impact on credit to households.

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