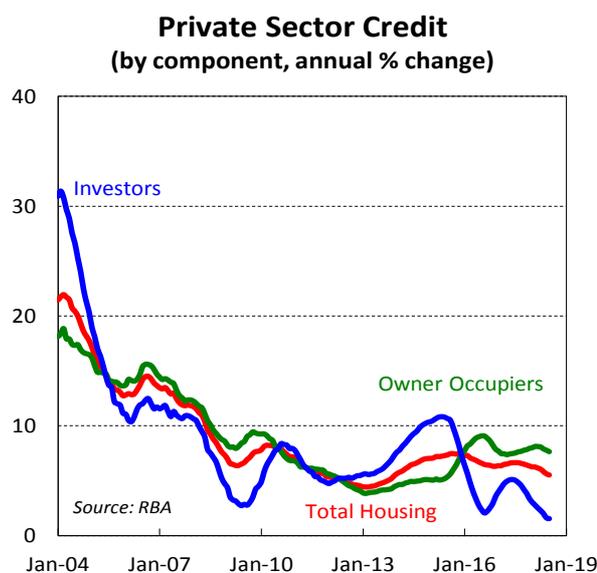
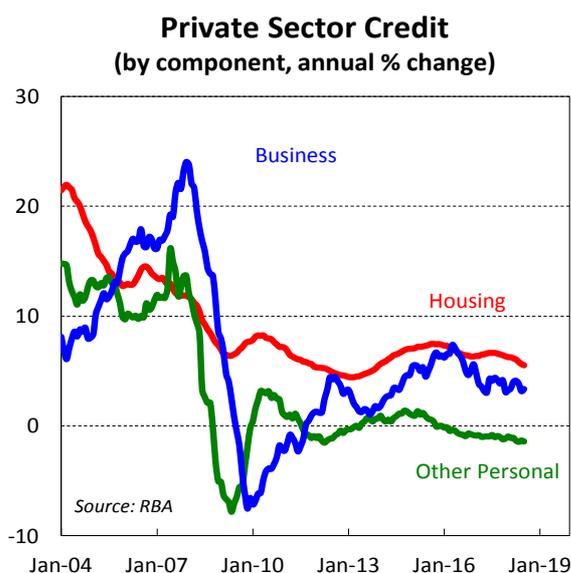


## Private Sector Credit Everything in Moderation

- Credit to the private sector grew by 0.4% in July, continuing to grow at a modest pace. The annual rate of growth, at 4.4%, equalled June's pace, which was the weakest just over four years.
- Much of the weakness over the past year has been due to a marked slowdown in housing credit, particularly for investors. Annual growth was the weakest since at least 1991, when the data series first began.
- Credit for owner-occupier housing has also softened. Tighter lending conditions are weighing on home lending, and has impacted investors to a larger extent.
- Encouragingly, credit to businesses has improved in recent months. Business credit grew 0.5% in July after 0.3% growth in June. On an annual basis, business credit picked up from growth of 3.2% in June to 3.4% in July. Growth however remains well below the long-run average of 6.4%. It adds to a range of mixed signals on business spending.
- Other personal credit (which includes credit cards and personal loans) edged down 0.1%, and has not witnessed any growth for 23 consecutive months. Weak growth in wages and high household debt levels are continuing to weigh on this form of credit, despite robust job gains.



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Much of the weakness over the past year has been due to a marked slowdown in housing credit,

particularly for investors. This weakness extended into July, with investor housing credit rising just 0.1% in the month. Annual growth, at 1.5%, was the weakest since at least 1991, when the data series first began. Credit for owner-occupier housing has also softened, rising 0.5% in July, and 7.6% in the year. It was the weakest monthly growth in owner occupier housing credit in 1½ years.

Tighter lending conditions are weighing on home lending and has impacted investors to a larger extent.

Encouragingly, credit to businesses has improved in recent months. Business credit grew 0.5% in July after 0.3% growth in June. On an annual basis, business credit picked up from growth of 3.2% in June to 3.4% in July. Growth however remains well below the long-run average of 6.4%.

It adds to a range of mixed signals on business spending. In the capex business survey yesterday, it suggested that recent strong growth in non-mining business investment will moderate. Business surveys however, are suggesting a more upbeat picture which point to above-average business conditions.

Other personal credit (which includes credit cards and personal loans) edged down 0.1% in July, and has not witnessed any growth for 23 consecutive months. On an annual basis, other personal credit contracted 1.4% in the year to July. Weak growth in wages and high household debt levels are continuing to weigh on this form of credit, despite robust job gains.

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