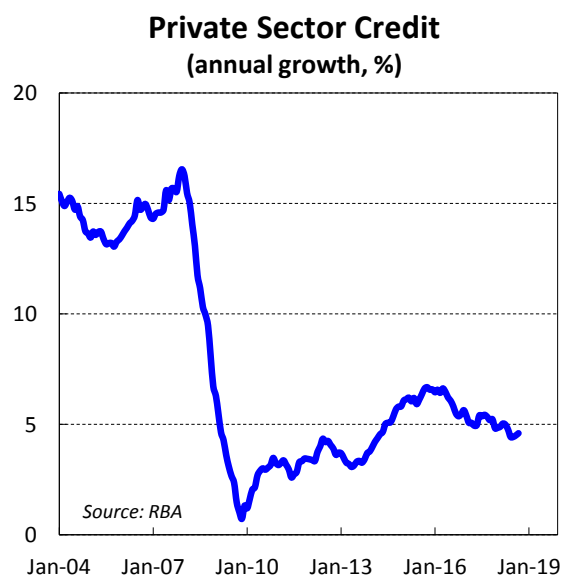
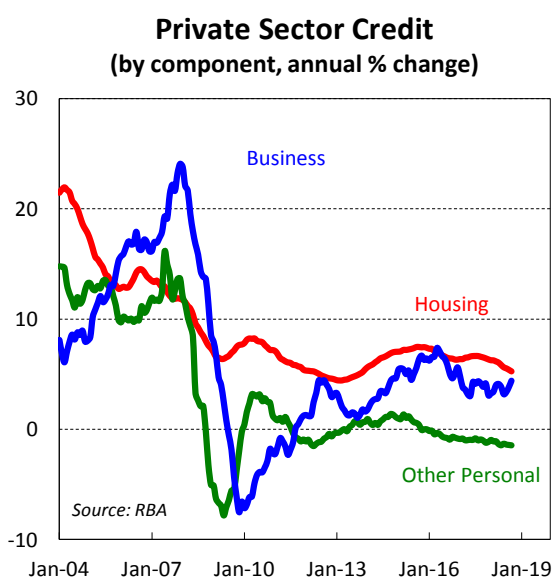


Private Sector Credit In Moderation

- Credit to the private sector continued to grow at a modest pace of 0.4% in September. Annual growth edged slightly higher to 4.6% from 4.5% previously, the fastest pace in four months.
- The improvement in annual growth was mostly a reflection of business credit. Business credit growth has gained some traction in recent months, and in September recorded its strongest annual growth in business credit in just over a year. It provides a positive signal for business spending, and corresponds with above-average levels of business conditions in surveys.
- The picture remains soft for lending to other sectors. Housing credit rose a subdued 0.3% in September, driven by weakness in investor housing credit growth. On an annual basis, credit for investor housing grew 1.4% in September, the weakest annual pace since the series became available in 1991.
- Other personal credit was flat in September, and has not recorded growth for two years. On an annual basis, other personal credit contracted 1.5%, which was the weakest in four months.
- The improvement in business credit in recent months is encouraging. However, there continues to be headwinds for credit growth, particularly for housing, given tighter lending conditions.



Credit to the private sector continued to grow at a modest pace of 0.4% in September. Annual growth edged slightly higher to 4.6% from 4.5% previously, the fastest pace in four months.

The improvement in annual growth was mostly a reflection of business credit. Business credit

growth has gained some traction and has grown for four consecutive months.

It grew 0.6% in September, for an annual pace of 4.4%. It was the strongest annual growth in business credit in 13 months. This provides a positive signal for business spending, and corresponds with above-average levels of business conditions in surveys.

The picture remains soft among other forms of lending. Housing credit rose a subdued 0.3% in September. Much of the weakness continued to be driven by investor housing which grew only 0.1%. On an annual basis, credit for investor housing grew 1.4% in September, the weakest annual pace since the series became available in 1991. Owner occupier credit was slightly firmer, growing at a pace of 0.5% in September, but the annual rate of growth is also slowing, edging down to 7.3% in September, and the weakest in nearly three years.

Other personal credit was flat in September, and has not recorded growth for two years. On an annual basis, other personal credit contracted 1.5%, which was the weakest in four months.

The improvement in business credit in recent months is encouraging. However, there are headwinds for credit growth given tighter lending conditions.

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

The information contained in this report (“the Information”) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom Bank of Melbourne has a contract to supply Information, the supply of the Information is made under that contract and Bank of Melbourne’s agreed terms of supply apply. Bank of Melbourne does not represent or guarantee that the Information is accurate or free from errors or omissions and Bank of Melbourne disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to Bank of Melbourne products and details are available. Bank of Melbourne or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. Bank of Melbourne owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of Bank of Melbourne.