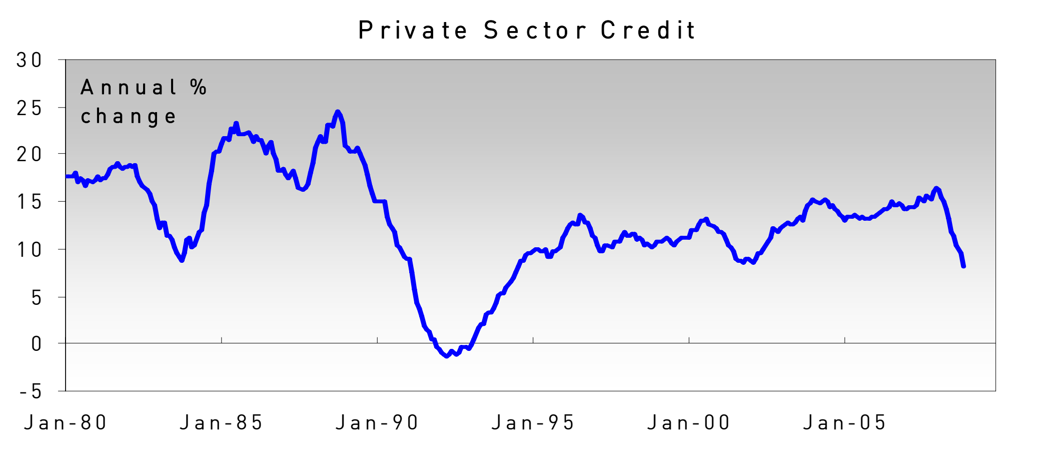
DATA SNAPSHOT

Private Sector Credit – November 2008

Wednesday, 31st December 2008

- The last slice of local economic data for this year highlights the economic slowdown occurring in Australia. Private sector credit rose by 0.4% in November, the weakest monthly rate since July 2001.
- The annual rate of credit to the private sector slowed to 8.2% in November, from 9.6% in October. The annual rate hasn't been lower since around the middle of 1994. It is a far cry from the double-digit rates witnessed over June 2002 to September 2008.



Housing credit growth lifted by 0.5% in November, the same pace as October. The annual pace stepped down from 8.6% in October to 8.2% in November; the last time the annual rate was this weak was in August 1983. Weak figures for housing credit suggests that housing construction and house prices will remain under pressure, although rate cuts and government measures should assist in limiting the extent of the downside over coming months.

'Other personal' credit (which includes credit cards, margin loans and personal loans) continues to be the hardest hit category. It dropped by 1.5% in November, after a similar-sized fall in October. Other personal credit has not grown for six months. The slowdown in the economy (including employment conditions), share market losses and concern about the financial outlook are causing this category to contract. Rate cuts from the Reserve Bank and government measures will help cushion the weakness in this credit area.

Business credit growth increased by 0.6% in November, taking the annual rate down from 13.1% to 10.7%. This annual rate is well off the cyclical peak of 23.8% struck in December 2007 and is also the weakest since February 2005. We expect business credit to slow further in coming months as subdued economic activity and difficult funding conditions continue to take a toll.

Overall, today's data is represenative of turmoil in global credit markets and a slowing economy. Turning to interest rates, we still expect that RBA to cut interest rates further in the new year. We see the next rate cut most likely occurring in February (with January not to be ruled out).

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From the team at St George Economics, we wish you a happy, safe & prosperous 2009.

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