

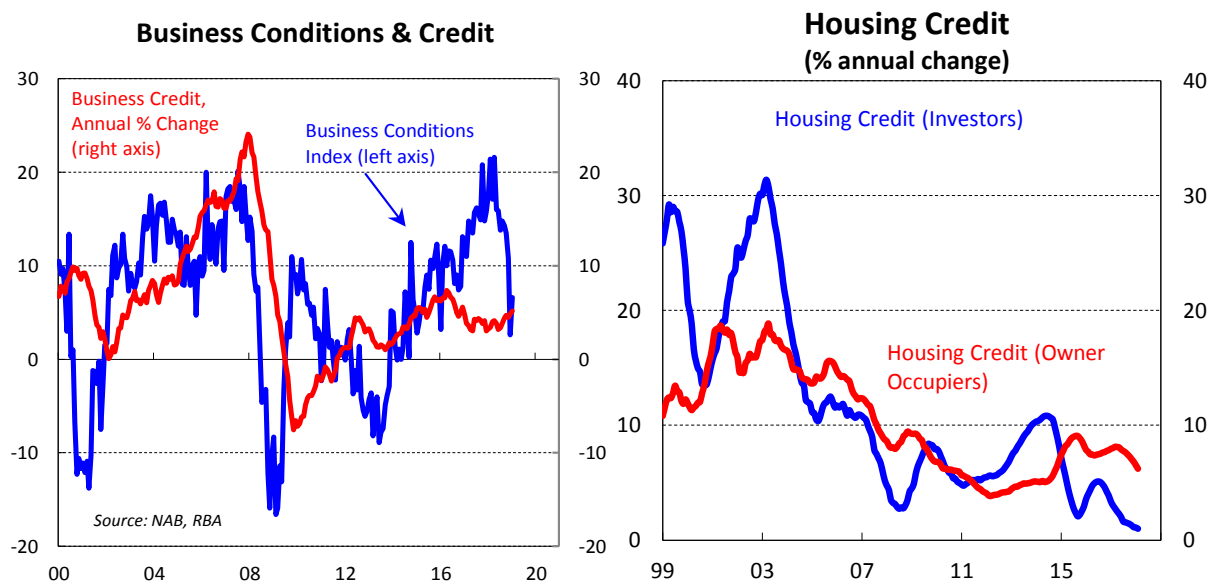
Thursday, 28 February 2019



## Private Sector Credit

### Weakest Pace in Housing Credit Since 1984

- Private sector credit grew at just 0.2% in January, maintaining a weaker pace of growth in comparison to much of 2018. The annual pace of growth stepped down from 4.4% in December to 4.3% in January, the weakest annual rate since February 2014.
- Weakness is continuing to be concentrated in housing credit as the housing downturn is extending. Housing credit grew just 0.2% in January, the weakest monthly growth since 1984. While there has been ongoing weakness in credit for investor housing, growth in credit to owner occupiers has slowed substantially.
- The recent weakening in business conditions, reflected in business surveys, have yet to translate to a material softening in business credit. Business credit grew 0.3% in January for annual growth of 5.2%. It was the strongest annual pace in two years. While in January, the NAB business conditions index rebounded to be back above its long-run average, it is still pointing to a weakening trend. There continue to be downside risks given the more uncertain global backdrop and the downturn in the domestic housing market.
- The soft conditions in the household sector were further reflected in the ongoing contraction in personal credit which includes personal loans and credit cards. Other personal credit fell 0.6% in January, for a 2.8% annual decline, the weakest since October 2009.



Private sector credit grew by just 0.2% in January, maintaining a weaker pace of growth in comparison to much of 2018. The annual pace of growth stepped down from 4.4% in December to 4.3% in January, the weakest annual rate since February 2014. Credit growth is slowing in step

with a loss of momentum in economic activity and tighter credit conditions.

Weakness is continuing to be concentrated in housing credit, as the housing downturn extends deeper. Housing credit grew just 0.2% in January, the weakest monthly growth rate since 1984. While there has been ongoing weakness in credit for investor housing, growth in credit to owner occupiers has slowed substantially. Owner-occupier housing credit grew just 0.3% in January, which was the weakest monthly growth since October 2013. The annual pace slipped from 6.5% to 6.2%.

The soft conditions in the household sector were further reflected in the ongoing contraction in personal credit, which includes personal loans and credit cards. Other personal credit fell 0.6% in January, for a 2.8% annual decline, the weakest since October 2009.

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The soft pace of credit growth provides an additional sign of weakening activity within the domestic economy.

**Janu Chan, Senior Economist**  
Ph: 02-8253-0898

## Contact Listing

Chief Economist	Senior Economist	Senior Economist
Besa Deda <a href="mailto:dedab@stgeorge.com.au">dedab@stgeorge.com.au</a> (02) 8254 3251	Josephine Horton <a href="mailto:hortonj@stgeorge.com.au">hortonj@stgeorge.com.au</a> (02) 8253 6696	Janu Chan <a href="mailto:chanj@stgeorge.com.au">chanj@stgeorge.com.au</a> (02) 8253 0898

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