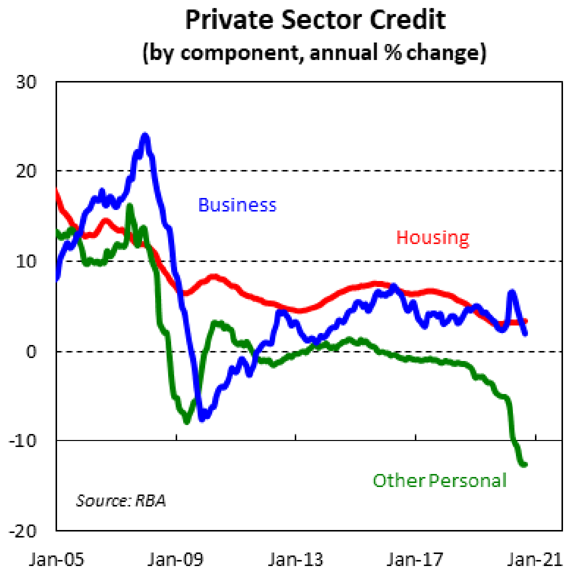
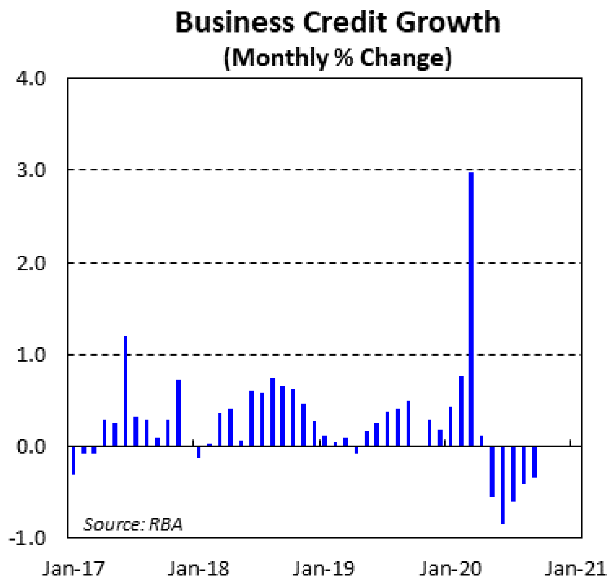
Data snapshot

Friday, 30 October 2020

Private Sector Credit
Credit Remains Frail

- **Credit to the private sector increased 0.1% in September, ending a four-month streak of declines. The ongoing weakness of the Australian economy continues to depress overall credit. The annual growth rate of 2.0% is the lowest since February 2010.**
- **Business credit contracted 0.3% in September, taking annual growth down to 2.0% from 2.9% in August. It has declined for a fifth consecutive month, resulting in the lowest annual reading since January 2014.**
- **Housing credit rose 0.4% in the month and 3.3% over the year. It is the strongest monthly reading since August 2018. Owner-occupier credit has been resilient despite the pandemic and rose 0.5% in September. This is an improvement on the three previous months when credit grew by 0.4% each month. Credit growth to owner-occupiers rose 5.4% over the year. Investor housing increased 0.1% in September to be down 0.4% over the year.**
- **The Budget measures announced on October 6 are expected to stimulate credit. We believe the various Budget measures, combined with lower interest rates and steady rates for at least three years will provide a boost to demand and stimulate consumers and businesses to seek loans.**
- **"Other personal credit" has improved marginally from the negative 1.0% reading in August. It declined 0.8% in September. The weakness in this form of credit has been ongoing: a positive reading has not been seen since April 2017. Annually, this form of credit (which includes personal loans and credit cards) declined 12.5%, the weakest in the history of the series.**





Credit to the private sector increased 0.1% in September, ending a four-month streak of declines. The ongoing weakness of the Australian economy continues to depress overall credit. The annual growth rate of 2.0% is the lowest since February 2010.

Business credit contracted 0.3% in September, taking annual growth down to 2.0% from 2.9% in August. It has declined for a fifth consecutive month, resulting in the lowest annual reading since January 2014. Weak confidence and uncertainty about the outlook continue to depress business credit growth. Going forward, we believe incentives announced in the Budget and the easing of restrictions in Victoria will kick in and lift the demand for credit.

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Owner-occupier credit has been resilient despite the pandemic and rose 0.5% in September. This is an improvement on the three previous months when credit grew by 0.4% each month. Credit growth to owner-occupiers rose 5.4% over the year.

Investor housing increased 0.1% in September to be down 0.4% over the year.

The Budget measures announced on October 6 are expected to stimulate credit. We believe the various Budget measures, combined with lower interest rates and steady rates for at least three years will provide a boost to demand and stimulate consumers and businesses to seek loans. The extension of the First Home Loan Deposit Scheme and Home Builder grants will also provide traction for further housing credit.

“Other personal credit” has improved marginally from the negative 1.0% reading in August. It declined 0.8% in September. The weakness in this form of credit has been ongoing: a positive reading has not been seen since April 2017. Annually, this form of credit (which includes personal loans and credit cards) declined 12.5%, the weakest in the history of the series.

Consumer confidence has improved since September. We expect this and the developing economic recovery to translate into moderately firmer credit growth in the months ahead.

Felipe Pelaio, Economist
Ph: 02-825-0646

Contact Listing

Chief Economist
Besa Deda
dedab@bankofmelbourne.com.au
(02) 8254 3251

Senior Economist
Hans Kunnen
Hans.kunnen@bankofmelbourne.com.au
(02) 8254 1316

Economist
Felipe Pelaio
felipe.pelaio@bankofmelbourne.com.au
(02) 8254 0646