

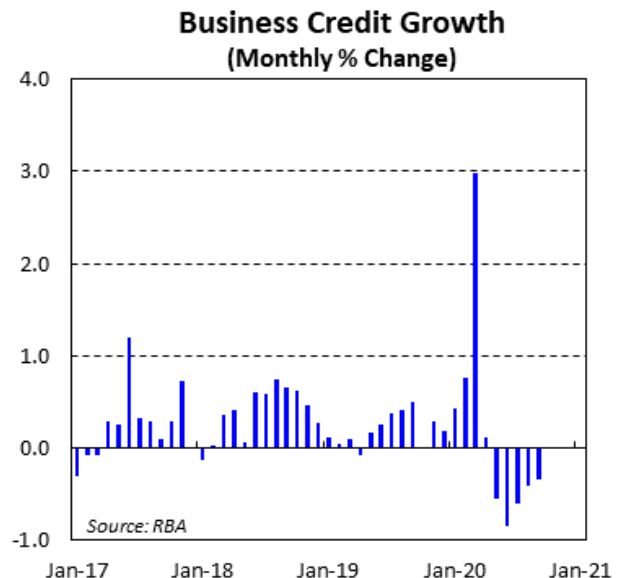
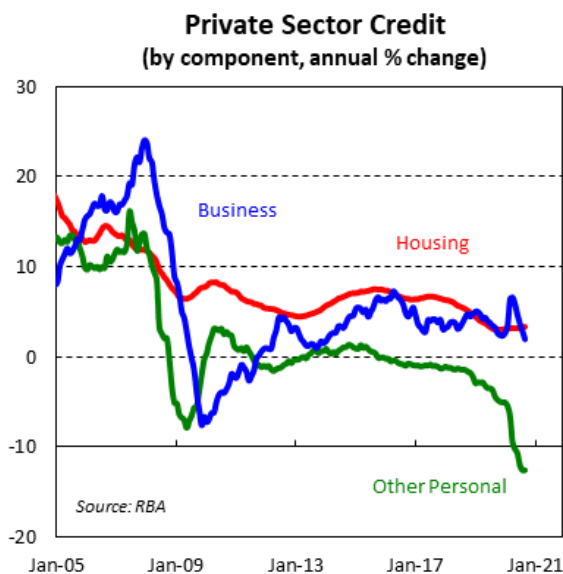


Friday, 30 October 2020



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.

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. 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

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.

Any unauthorised use or dissemination is prohibited. Neither Bank of Melbourne- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac’s subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.
