



Thursday, 31 March 2022

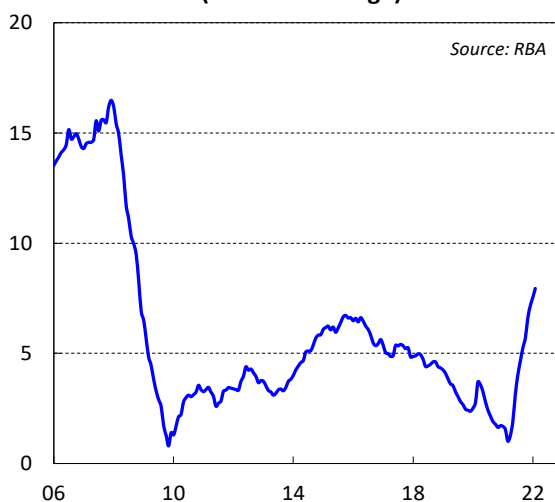


## Private Sector Credit

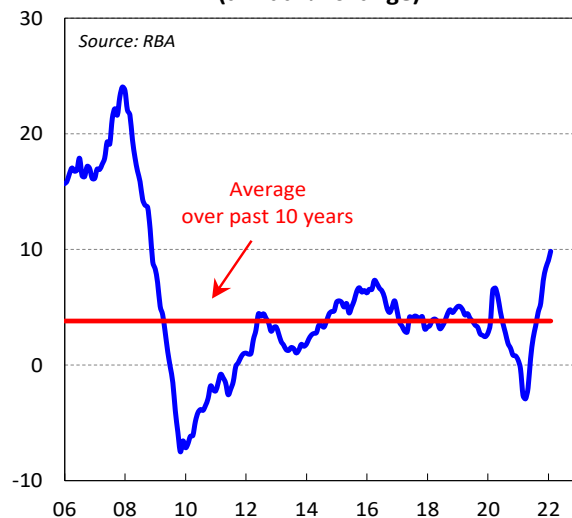
### Annual Business Credit Growth Nears 10%

- Credit growth continued to expand in February as the economy bounced back from the short-term hit from the Omicron outbreak. Credit extended to the private sector advanced by 0.6% in February and hit the fastest annual growth rate in more than 13 years, at 7.9%.
- Housing credit grew by 0.6% in February. This was down from 0.7% in January. Despite the monthly decline, annual growth picked up to 7.8%, the fastest pace in 11½ years and well above the 10-year average of 5.5%.
- Business credit growth accelerated in February. On a monthly basis, business credit expanded by 0.8%, up from the 0.6% in January. This took the annual growth rate to 9.8%, the fastest in over 13 years. Business credit has now expanded over 11 of the past 12 months.
- The 2022-23 Federal Budget included several policies to encourage business investment. The Government announced a package to encourage businesses to upgrade their IT infrastructure and invest in digital technology, in addition to support for skills and training.
- Credit growth is expected to remain robust as the economy grows strongly over 2022. Growth will be supported by strong household spending, falling unemployment, and an expected recovery in business investment.
- However, risks to the outlook remain. Inflationary pressures are expected to increase in the near term, as war in Ukraine and continued supply-chain disruptions impact commodity prices and the broader economy.

**Private Sector Credit**  
(annual % change)



**Business Credit Growth**  
(annual % change)



Credit growth continued to expand in February as the economy bounced back from the short-term hit from the Omicron outbreak. Credit extended to the private sector advanced by 0.6% in February and hit the fastest annual growth rate in more than 13 years, at 7.9%.

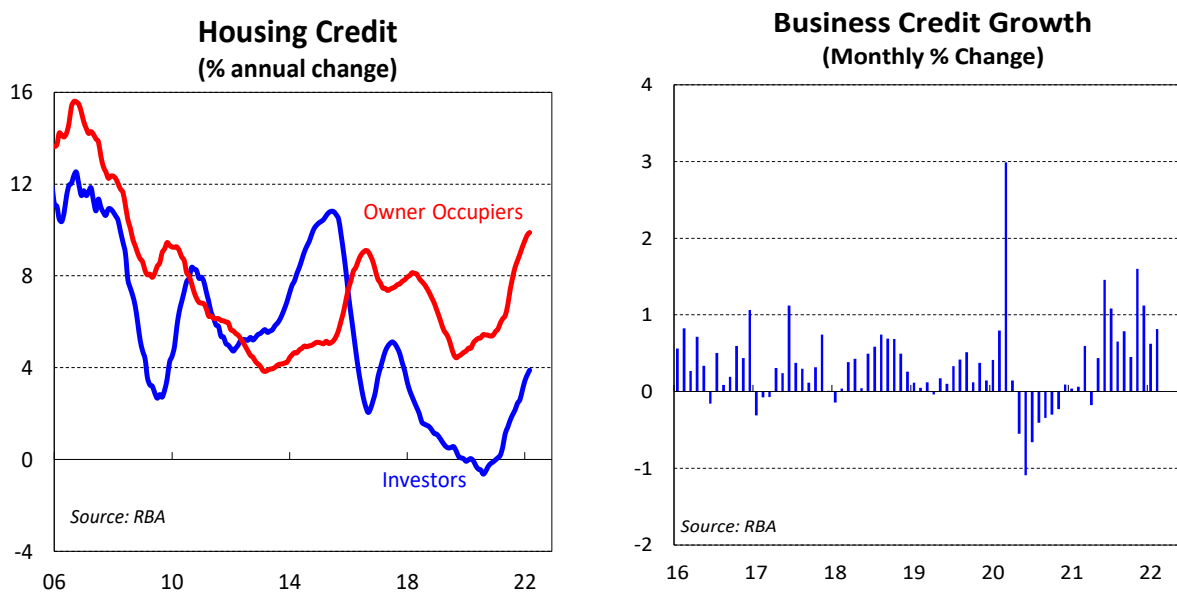
Business credit growth accelerated over the month, while housing credit to owner-occupiers and investors continued to expand, albeit at a slightly slower pace than in recent months.

## Housing

Housing credit grew by 0.6% in February. This was down from 0.7% in January. Despite the monthly decline, annual growth picked up to 7.8%, the fastest pace in 11½ years and well above the 10-year average of 5.5%. The rapid annual pace reflects the strong conditions we have seen in the housing market since late 2020.

Owner-occupier credit continued to lead the way and expanded by 0.7% in February, down slightly from the 0.8% growth recorded over each of the past three months. In annual terms, owner-occupier credit grew by 9.9% over the year to February. This was the fastest annual growth in over 13½ years.

Credit to investors grew by 0.4% in February, to be 3.9% higher over the year. In annual terms, investor credit growth remains well below the 10%+ growth rates of late-2014 and 2015, despite increasing to its fastest rate in over four years.



## Business

Business credit growth accelerated in February. On a monthly basis, business credit expanded by 0.8%, up from the 0.6% in January. This took the annual growth rate to 9.8%, the fastest growth in over 13 years. Business credit has now expanded over 11 of the past 12 months.

The 2022-23 Federal Budget, delivered on Tuesday, 29 March, included a number of policies to encourage business investment. The Government announced a package to incentivise businesses to upgrade their IT infrastructure and invest in digital technology, in addition to support for skills and training.

Small businesses, with aggregated annual turnover of less than \$50 million, will be able to deduct a bonus 20% of the cost of business expenses and depreciating assets that support digital uptake, up to \$100,000 of expenditure per year. This will apply from Budget night to 30 June 2023.

Small businesses will also receive a bonus 20% deduction for the cost of external training courses delivered to their employees by providers registered in Australia. This will apply from Budget night to 30 June 2024.

The loss carry back and temporary full expensing measures were not extended. However, they remain available until the end of 2022-23.

### **Other personal**

Other personal credit, which includes credit cards and personal loans, was flat in the month, after falling in December and January. Other personal credit has declined for six of the past 12 months and fell by 3.0% over the year to February.

### **Outlook**

Credit growth is expected to remain robust as the economy grows strongly over 2022. Growth will be supported by strong household spending, falling unemployment, and an expected recovery in business investment.

However, risks to the outlook remain. Inflationary pressures are expected to increase in the near term, as war in Ukraine and continued supply-chain disruptions impact commodity prices and the broader economy. To support households, the Government announced a package of measures in the 2022-23 Budget to address cost-of-living concerns in the near term.

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