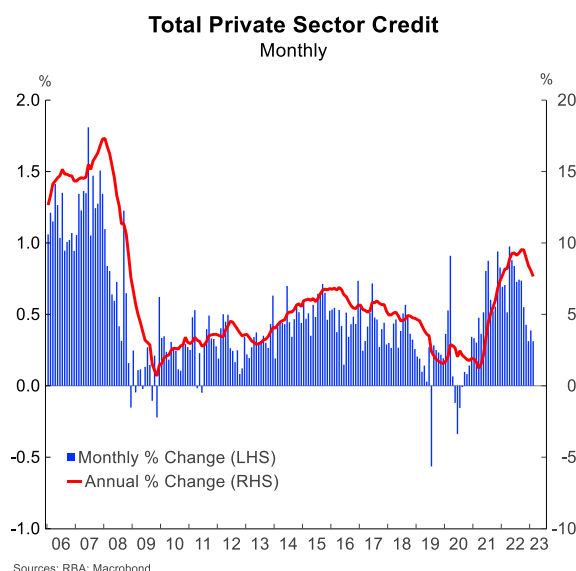
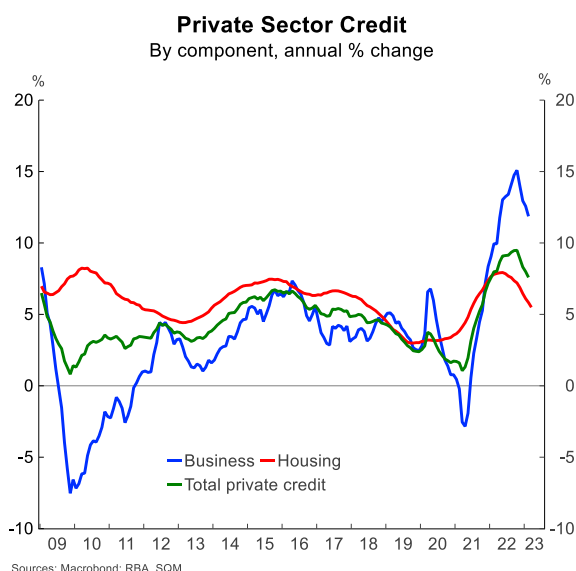


Friday, 28 April 2023

Private Sector Credit

Are Arrivals Clouding the Housing Story?

- The underlying slowing in private sector credit growth continued in March. Credit expanded 0.3% in March, down from the growth of 0.4% recorded in January and February. Over the year to March, credit grew by 6.8% – the slowest annual pace in 15 months.
- Monthly housing credit growth also eased, growing by 0.3% over March, slightly down from the 0.34% recorded in February. The underlying trend for housing credit growth continues to soften. Over the three months to March, housing credit averaged 0.3% per month, this is half the average growth rate of 0.6% recorded in the corresponding quarter just a year ago.
- National dwelling prices have stabilised and even increased by 0.6% over the month of March, after a virtually flat reading in February. At face value, housing credit growth appears to contradict the stabilisation in prices. In March, growth in owner-occupier credit ticked down, while we did see a partial offset through a tick up in investor housing credit – investors could be responding to higher expected yields from higher rents and strong demand for rental housing.
- If housing credit growth is easing, what's driving the pickup in demand to support the stabilisation in house prices? Reports suggests that some foreigners have skipped the rental queue and have purchased instead – Census data suggest that in the past it would typically take a migrant 4-7 years to buy a dwelling. There could also be cashed up investors getting into the market, speculating that prices have bottomed out from here.
- This has implications for the RBA – foreigners and cashed up buyers may be less sensitive to changes in domestic interest rates. Further, listings and volumes of property exchanged remain low. This therefore suggests that changes in house prices may not necessarily be a great gauge on how restrictive monetary policy is.



Business

Business credit expanded 0.4% in the month. This was a step down from the 0.6% rise recorded in February. Over the year to February, business credit grew by 10.6% – the slowest pace since March 2022.

While business credit growth has slowed due to higher rates and slowing demand, elevated capacity utilisation and generous tax incentives are providing some support.

Other personal

Other personal credit, which includes credit cards and personal loans, declined 0.3% in March. Other personal credit has declined for six of the past 12 months and was flat over the year to March.

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