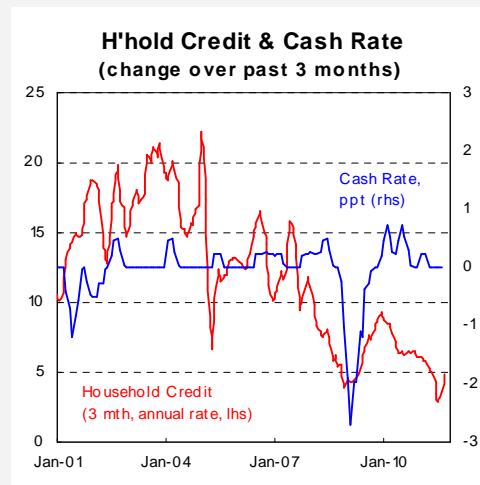
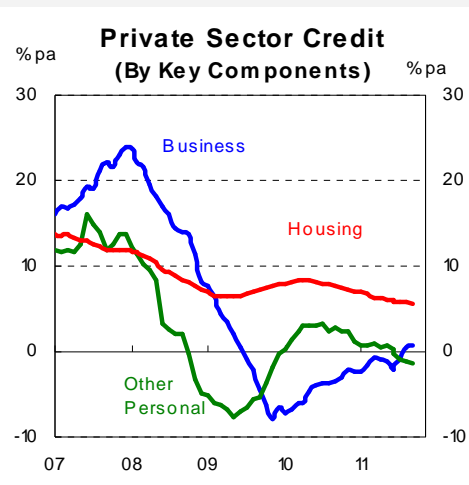


# DATA SNAPSHOT

## Private Sector Credit: Remains Subdued

Wednesday, 30 November 2011

- Private sector credit growth gained 0.2% in October, after rising 0.5% in September. For the year, private sector credit growth, at 3.5%, remains quite subdued.
- Business credit was unchanged in October, but followed a strong rise in September, business credit is up 0.7% for the year to October, the second consecutive month the annual rate was in positive territory.
- Other personal credit, which includes purchases on credit cards and personal loans, was weaker, falling 0.3% in October. For the year, other personal credit has declined 1.4%, reflecting householder caution.
- Housing credit rose 0.4% in October. This saw the annual rate of housing credit growth slip to 5.7%, its lowest since 1976, when the data became available.
- The weak growth in private sector credit suggests that the process of “de-leveraging”, or paying down debt, is continuing. It is likely that this process has further to run, although a rate cut from the RBA in November and the possibility of another one should go some way to boosting borrower sentiment.



Private sector credit rose by 0.2% in October, below consensus expectations for a 0.4% rise. Annual growth held at 3.5% in October, indicating that while we saw a pick up in private sector credit growth in September, the trend remains subdued. The slower growth rate in October reflects a decline in other personal lending, while business credit was unchanged for the month.

Business credit was flat in October, after a strong result in September. For the year to October business credit accelerated to 0.7% growth. This was the second consecutive month of increase in the annual rate of business credit growth, a result not seen since May-June 2009. Business confidence also improved slightly in October, according to the NAB business confidence measure, which moved back into positive territory in October. Business confidence was likely supported by speculation the RBA would cut interest rates (and this rate cut was delivered by the RBA in November), however, business conditions deteriorated in October. The Australian dollar rose 9% against the US dollar over the month of October, putting pressure

on non-mining exporters.

Household credit (housing and other personal) was more subdued in October, despite media speculation about the possibility of a rate cut from the RBA in November. Other personal credit, which includes purchases on credit cards and personal loans, fell 0.3% in October, reflecting householder caution. This saw the annual rate of other personal credit growth fall to a decline of 1.4%, the largest rate of decline since November 2009.

Housing credit rose 0.4% in October, with owner-occupier housing credit up 0.4%, while investor housing credit gained 0.3% in October. The 0.4% increase in housing credit was well below the 1.0% average increase seen in the past ten years, highlighting the lack of vigour in housing credit. For the year to October, housing credit growth eased to 5.7%, from 5.8% previously, to be at its lowest since these records began in 1976. The annual rate of owner occupied housing credit eased back to 6.2%, from 6.3% in the year to September. Investor housing finance rose 4.4% in the year to October, its lowest annual rate since January 2010, and compared to a 10-year average of 13.5%.

Subdued housing conditions are also reflected in the moderation in dwelling prices this year. Earlier today, RP Data-Rismark data showed home prices declined 0.5% in October, taking the annual rate of dwelling price growth down to a decline of 4.0%.

The weak growth in private sector credit suggests that the process of “de-leveraging”, or paying down debt, is continuing. It is likely that this process has further to run, although a rate cut from the RBA in November and the possibility of another one should go some way to boosting borrower sentiment.

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