



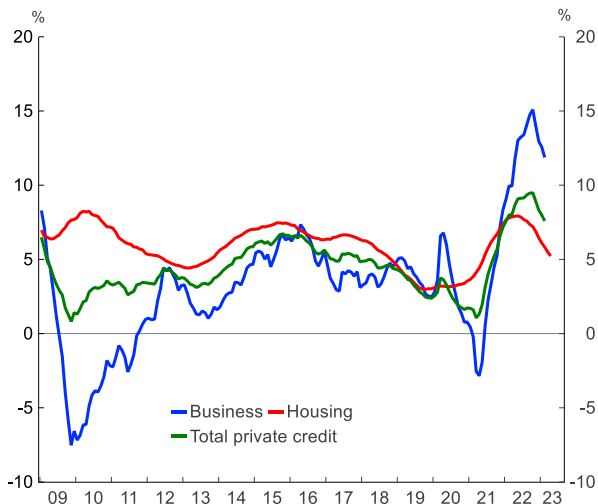
Wednesday, 31 May 2023

Private Sector Credit

Business Credit Growth Hits 7-Month High

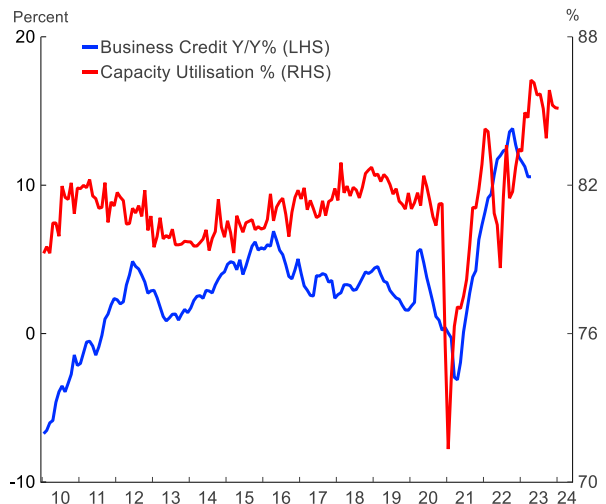
- Private sector credit growth rebounded in April from a slowdown that has been evident for some time. Credit expanded 0.6%, following 0.2% growth in March (revised lower from 0.3%). In annual terms, credit expanded 6.6%, down from 6.8% in March and continuing the gradual slowdown since hitting a near 14-year high of 8.9% in September 2022.
- Business credit was the stand out. Credit to businesses grew 1.1% in April. It was the fastest monthly growth since September 2022 – a 7-month high. Monthly business credit growth had slowed to a crawl of 0.2% in March after hovering between 0.5% - 0.6% since September.
- Elevated capacity utilisation is continuing to provide support to business credit. Additionally, generous tax incentives are due to expire on 30 June this year. Some of the strength in April may reflect businesses seeking to take advantage of these tax incentives prior to their expiration.
- The Federal Budget provided clarity on future policy settings. The Instant Asset Write Off threshold will be \$20k for businesses with turnover of less than \$10 million from 1 July 2023 for one year only. This compares with the current temporary unlimited threshold. These changes will encourage some businesses to bring forward investment ahead of the end of June.
- Housing credit expanded 0.3% for the fifth consecutive month. In annual terms, housing credit grew 5.2%, down from 5.5% in March. Looking at the components, monthly investor credit growth was steady at 0.3%, while owner-occupier credit picked up to 0.4%, from 0.3% in March.
- Credit measures the change in the stock, so is slow moving relative to changes in the flow. Housing market activity and prices continue to pick up. New housing finance rose in March and is expected to have risen in April. This may provide some support to housing credit in future.

Private Sector Credit
By component, annual % change



Sources: Macrobond; RBA, SQM

Business Credit & Capacity Utilisation
Monthly (Capacity utilisation leading by 3 quarters)



Sources: RBA, NAB; Macrobond

Other personal

Other personal credit, which includes credit cards and personal loans, rose 0.1% in April. This followed a 0.3% decline in March.

Other personal credit growth has remained weak or negative for several years due to several structural factors, including the increased use of redraw facilities and offset accounts enabling households to make large purchases, such as vehicles and renovations, with less reliance on personal loans and other credit facilities. The rise of the Buy Now Pay Later industry has also impacted the use of credit cards and personal loans, particularly among younger households.

The annual pace of growth slipped back into negative territory (-0.3%) in April, after being flat over the year to March.

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