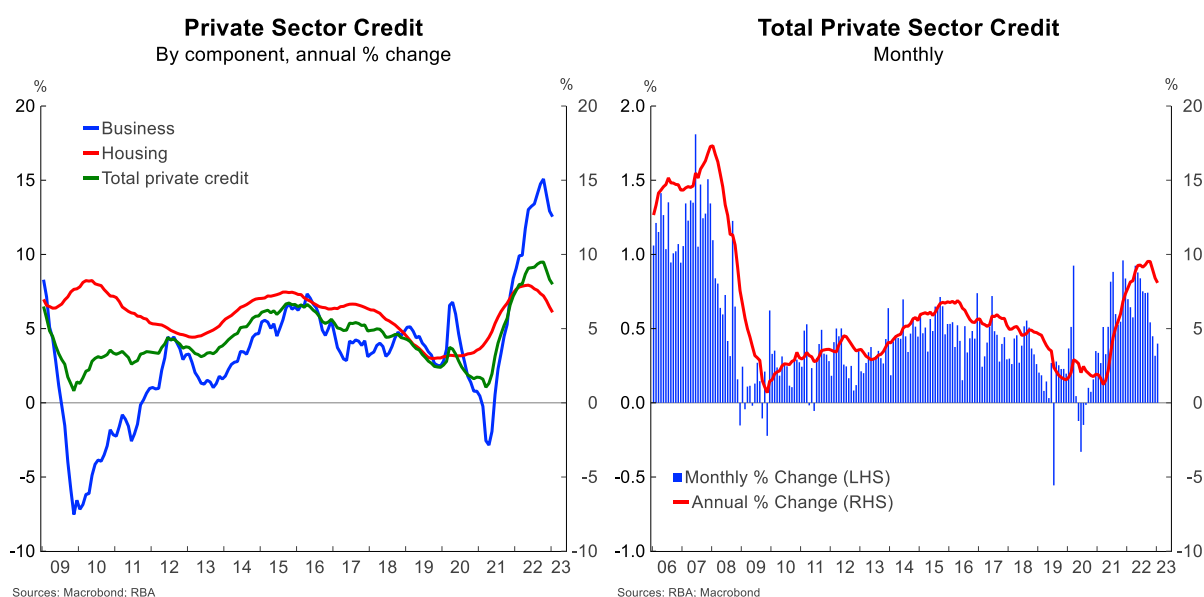


Private Sector Credit Annual Credit Growth Softest in Almost a Year

- Credit extended to the private sector expanded 0.4% in January, taking annual credit growth to 8.0% - it's slowest pace in almost a year. The result extends the underlying slowdown in lending growth, as the cost of borrowing rises.
- However, the weakening in credit growth remains orderly. Indeed, the monthly pace of growth ticked up from an anaemic 0.3% increase in December and is currently sitting around the 10-year average.
- After a material slowing in the rate of business credit growth late in 2022, business lending rebounded slightly in January, rising 0.5%, from 0.3% in December. But the monthly pace remains well below that seen earlier in the cycle (1.2%-1.6%), confirming that we have moved passed the peak in business credit growth.
- Housing credit rose 0.3% in January, unchanged from December's pace. Annual growth slowed to 6.1%, from a peak of 7.9% in May, when the rate-hike cycle commenced. Investor lending stalled in December, advancing just 0.2%, while owner-occupier lending was steady at 0.4%.
- A pronounced slowdown in private sector credit growth is underway but remains in its infancy. As the cash rate moves higher, we expect the softening in credit appetite to deepen, although, business lending may carry some momentum from still elevated rates of capacity utilisation.



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