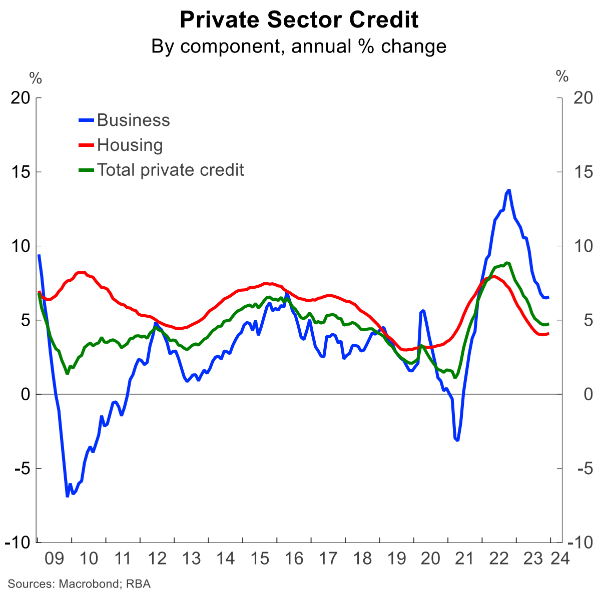
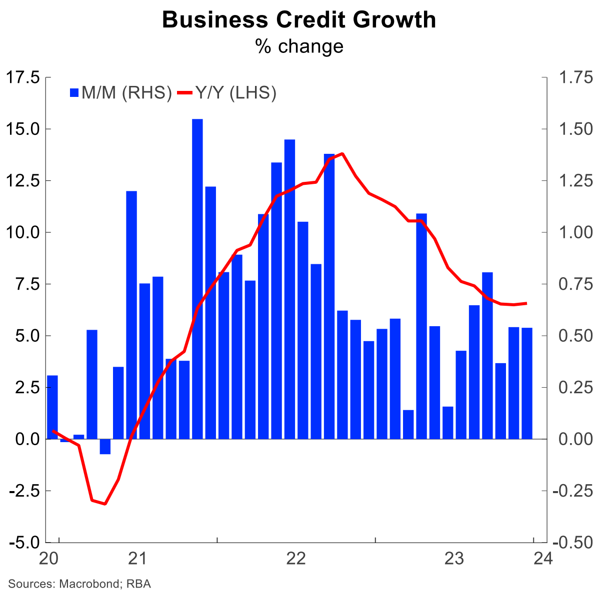
Private Sector Credit

Solid Expansion in Business Credit

- **Private sector credit expanded 0.4% in December, to finish the year 4.8% higher. Credit growth struck a consistent rhythm in 2023, growing at 0.3%-0.4% in nine of the twelve months of the year. The annual pace represents a relatively solid growth rate; nothing to ring home about, but certainly a resilient number given the underlying economic backdrop.**
- **Business credit growth remains solid. It expanded 0.5% in December, growing 6.6% through the year. Over the second half of 2023 business credit grew at an annualised rate of around 6.9%, well above the 10-year average of 4.7%. This was also stronger than the first half of 2023, where credit expanded at an annualised pace of 6.3%.**
- **Robust growth in business credit reflects solid investment activity, as businesses look to expand capacity for a growing population, accelerate technological adoption and replenish their capital stock. Surveyed investment intentions and capacity utilisation remain strong, pointing to further resilience in business borrowing.**
- **Housing credit rose 0.4% in December and 4.1% in annual terms. The expansion in housing credit has run at a steady pace, growing 0.4% consecutively over the last four months of 2023. The rate of growth is a little below par compared to the 10-year average of 5.7%, but it is still respectable given affordability pressures from higher interest rates and elevated dwelling prices.**
- **A steady pace of credit expansion is likely to continue over the first half of 2024, given there is no clear catalyst for a big shift from here. The second half of the year could see credit appetite take another leg higher alongside legislated tax cuts and a possible easing in monetary policy.**





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