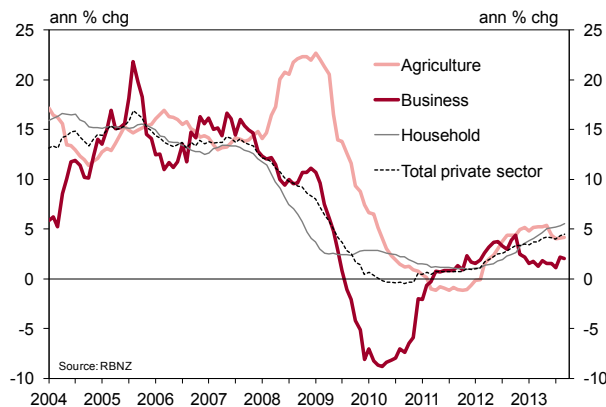


Private sector credit, September 2013

	Mth % chg (s.a.)		Ann % chg	
	Sep-13	Aug-13	Sep-13	Sep-12
Agri	0.2	0.5	4.2	4.4
Business (ex agri)	0.7	0.6	2.1	3.9
Household	0.5	0.5	5.6	2.4
Total private sector*	0.4	0.6	4.5	3.1

* The sum of agri, other business, and household lending, this excludes lending to government entities and the financial sector. Includes lending by banks and non-banks.

Domestic credit growth



Monthly credit growth slowed modestly to 0.4% in September on a seasonally adjusted basis, largely due to a slower pace of lending to the agri sector after a strong August.

But growth in other business credit continued at a stronger pace for a second month running. In particular, the breakdown of monthly bank credit suggests lending to food manufacturers is increasing at a more normal pace after a spate of mid-year repayment of credit facilities that were drawn on during the drought.

By contrast, bank credit to property and business services (which includes property developers) slowed in September. However this category can be volatile from month to month, and at just under 2% the 3-monthly trend remained the highest since May last year. Meanwhile, mortgage lending continued at a solid 0.5% monthly clip (perhaps not quite as strong as we might have expected given September's surge in housing turnover).

Of course, these September figures predate the introduction of the Reserve Bank's lending restrictions. Anecdotes, and bank mortgage approval data, suggest that the restrictions are starting to bite. Since early October, when the LVR restrictions came into effect, mortgage approvals have been down about 15% on the same time last year.

But with a substantial volume of earlier pre-approvals still in the pipe-line, we aren't likely to see any impact on the actual pace of credit growth, and housing turnover, until the November data at the very earliest. It will also be some months before we see the extent to which borrowers are migrating into the non-bank space, which the Reserve Bank surveys quarterly. (The latest figures for non-banks, also released today, suggest that non-bank mortgage lending picked up again in the September quarter, after several years of seasonally adjusted declines.)

So watch this space for now.

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