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AUSTRALIAN PRIVATE CREDIT BULLETIN

Steady private credit growth maintained

- Private credit continued growing at a stable 0.5%*mth* pace in September, with annual growth ticking slightly higher to 5.8%*yr*.
- Housing credit also maintained a similarly firm pace, but personal credit was somewhat softer.
- Broadly similar growth momentum is likely to be maintained going forward, with lower interest rates eventually providing some tailwind.

Private sector credit, September 2024

Item	mth%		ann%	
	Aug	Sep	Aug	Sep
Total credit	0.5	0.5	5.7	5.8
Business	0.7	0.6	7.7	7.5
Other personal	0.1	0.3	2.5	2.4
Housing, total	0.4	0.5	5.0	5.1
Owner-occupier housing	0.4	0.5	5.5	5.6
Investor housing	0.5	0.5	3.9	4.2

Source: ABS, Westpac Economics.

**September
+0.5%*mth*,
5.8%*yr*.**

Another month of firm and stable growth



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The RBA's figures confirmed that private sector credit continued growing by 0.5%*mth* in September, the pace unchanged from the prior two months and in line with the average of the last twelve months. The annual pace ticked higher to 5.8%*yr*, 1p*pt* higher than the trough seen at the end of last year and well above the pace just above 2%*yr* before the pandemic.

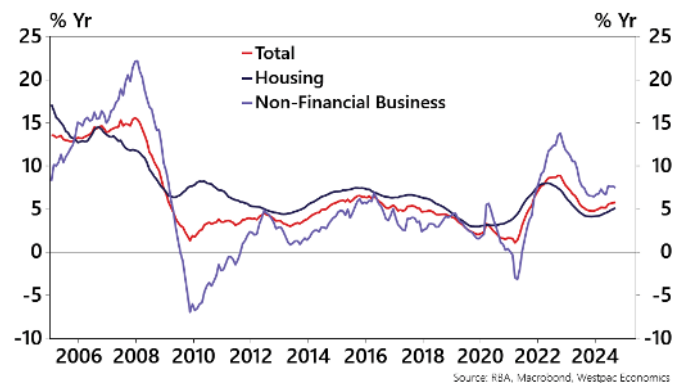
Among major components, housing credit, which accounts for more than 60% of the total credit stock, also rose by 0.5%*mth*, and was 5.1% higher compared to a year ago, which represented the fastest annual pace in almost a year and a half. Housing credit continued lagging behind house prices, which are still growing around 7%*yr*, having eased from the double-digit pace seen at the beginning of this year. Within the details of housing credit, both owner occupier and investor categories also recorded 0.5%*mth* increases suggesting that both types of buyers are facing very similar credit conditions.

Personal credit was up 0.3%*mth* and 2.4%*yr*, with the latter growth rate easing for a second consecutive month, giving a sense that it has already passed its peak reached earlier this year. The latest Westpac-IM Consumer Sentiment Survey showed that consumers are becoming less pessimistic about the economic outlook and their own personal finances suggesting that some households, squeezed by higher prices in recent years, might have more capacity within their budgets to reduce borrowing going forward.

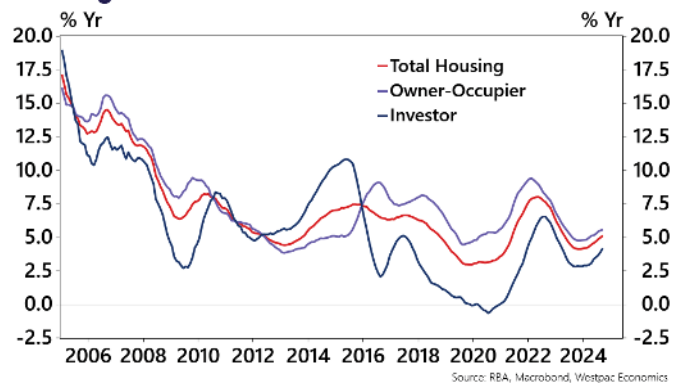
Business credit did not disappoint either, rising 0.6%*mth*, broadly similar pace to July and August. Growth in this sector has been driven mainly by small to medium businesses, but larger non-financial corporations seem to have focused on market financing as the debt issuance has been growing at a solid pace.

With signals from the RBA and other key economic indicators suggesting that interest rates have already peaked, easier financial conditions should provide some tailwind to domestic credit in the medium term. However, until household and business finances do not improve more notably, credit growth seems unlikely to generate a stronger GDP impulse.

Private Sector Credit Growth



Housing Credit Growth



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