



28 February 2025

AUSTRALIAN PRIVATE CREDIT BULLETIN

Private credit growth eases in January

- Private sector credit rose by 0.5%*mth* in January, in line with our and consensus expectations and below the 0.6%*mth* pace seen in the prior four months.
- All major credit components saw weaker growth. Housing credit increased by 0.4%*mth*, down from 0.5%*mth* pace seen previously. Other personal credit was flat, while business credit rose 0.7%*mth*, the slowest in four months.
- Annual growth was unchanged at 6.5%*yr*, but the three-month growth pace eased slightly from the peak of 1.8% to 1.6%.
- We expect that private credit growth will moderate further as weaker momentum in the housing market will feed into lower housing credit growth, while higher uncertainty might at least to some extent impact business decisions to invest and borrow. However, lower interest rates will be providing some support to credit growth over 2025 and beyond.

Private sector credit, January 2025

	mth%		ann%	
	Dec	Jan	Dec	Jan
Total credit	0.6	0.5	6.5	6.5
Business	0.8	0.7	8.9	8.8
Other personal	0.5	0.0	2.8	2.2
Housing, total	0.5	0.4	5.5	5.6
Owner-occupier housing	0.4	0.4	5.7	5.7
Investor housing	0.6	0.5	5.1	5.4

Source: ABS, Westpac Economics.

**January
+0.5%*mth*,
6.5%*yr***

Early signs of slower credit growth



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Private sector credit rose by 0.5%*mt* in January, in line with our and consensus expectations. Annual growth remained unchanged at 6.5%, which once again highlighted acceleration over the course of 2024 from a pace around 5%*yr* at the start of the year. The three-month growth rate eased from 1.8%, a peak in cycle, to 1.6%.

Across the major private credit components:

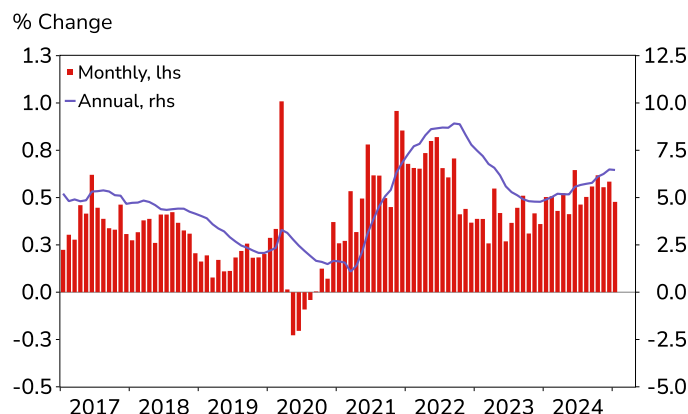
- housing credit (63% of total private credit) growth eased to 0.4%*mt*, as we expected based on lower house prices at the end of last year and weaker housing finance approvals for Q4. The smaller increase after four consecutive 0.5%*mt* readings might point to weakening momentum, but it is worth noting the growth rate to three decimal digits was 0.446%, so at this point it is too early to conclude that it represents a material shift in the growth trend. Owner-occupiers segment saw growth remaining unchanged at 0.4%*mt*, but investor housing credit growth ticked back down from 0.6% to 0.5%.
- business credit (33% of total private credit) rose 0.7%*mt*, which was the slowest pace in four months representing a gradual easing from the peak of 1%*mt* last October. The latest available data for credit by company size (for December as the breakdown for January is not available) suggests that large companies continue driving business borrowing, while smaller and medium sized companies are lagging behind.
- other personal credit (4% of total private credit) was unchanged, having grown by 0.5%*mt* in December. It is the most volatile component, and looking through the monthly changes, the three-month growth rate was only 0.1%, down from 0.8% in September quarter and 0.3% in December quarter.

Private credit growth accelerated over the course of 2024 as elevated nominal income growth and increasing population provided a tailwind. Today's data suggest that the firm trend continued into 2025. While there are some indications that momentum might be starting to soften, it is too early to draw firmer conclusions.

We continue to expect some moderation ahead, as the softer housing market indicators feed into lower housing credit growth. And with the latest new capital expenditure data suggesting very low investment spending growth ahead, business credit growth might also tick lower, not least given that the federal election is likely to add another layer of uncertainty to business decisions borrow more and invest.

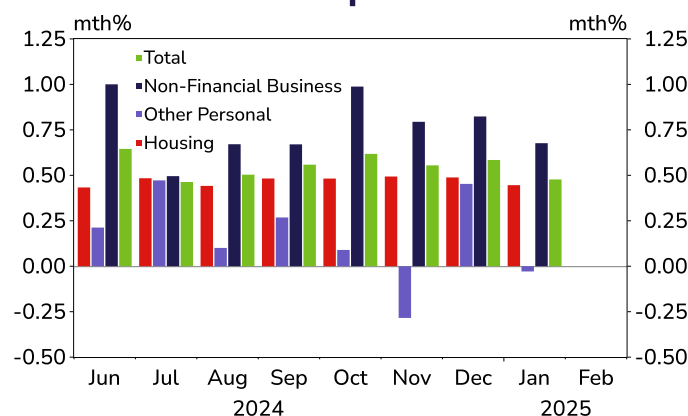
On the other hand, lower interest rates might gradually start supporting credit growth more, in particular given that majority of key household and business borrowing rates are driven by the short-term market rates, with a quick pass-through.

Private Sector Credit Growth



Source: RBA, Macrobond, Westpac Economics

Private Sector Credit Components



Source: RBA, Macrobond, Westpac Economics



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