



31 March 2025

AUSTRALIAN PRIVATE CREDIT BULLETIN

Stable credit growth in February

- Private sector credit rose by 0.5%*mt*h in February, an unchanged pace from January that matched our forecast and consensus expectations.
- Among major components, business credit reported the steepest increase, with growth inching up from 0.7%*mt*h, to 0.8%*mt*h. Housing credit rose by 0.4%*mt*h for a second consecutive month.
- Annual growth was also stable at a 6.5%*yr*. Looking at a broader trend, private sector credit accelerated gradually from a pace of around 5%*yr* at the start of 2024, but the latest data seems to be following a more stable trend.
- We continue to expect some moderation ahead, as lower house price growth will start feeding through to lower housing credit numbers, and uncertainty effects start impacting business borrowing decisions.

Private sector credit, February 2025

	mth%		ann%	
	Jan	Feb	Jan	Feb
Total credit	0.5	0.5	6.5	6.5
Business	0.7	0.8	8.8	9.0
Other personal	0.0	0.1	2.2	1.9
Housing, total	0.4	0.4	5.6	5.6
Owner-occupier housing	0.4	0.4	5.7	5.7
Investor housing	0.5	0.5	5.3	5.6

Source: ABS, Westpac Economics.

**February:
+0.5%*mt*h,
+6.5%*yr***

A more stable growth trend emerging



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Private sector credit rose by 0.5%^{mth} in February, an unchanged pace from January, matching our forecast and consensus expectations. Annual growth was also stable at 6.5%^{yr}. Looking at a broader trend, private sector credit accelerated gradually from a pace of around 5%^{yr} at the start of 2024 and while growth remains robust, the latest data seems to be following a more stable trend. We continue to expect some moderation ahead.

Across the major private credit components:

- Housing credit (63% of total private credit) rose by 0.4%^{mth} for a second consecutive month. Having increased by 0.5% in each month towards the end of 2024, the pace of growth seems to have eased a touch this year. Owner-occupiers and investor segments continued to see very similar growth rates of 0.4%^{mth} and 0.5%^{mth} (5.7%^{yr} and 5.6%^{yr} on an annual basis).
- Business credit (33% of total private credit) reported the steepest increase, with growth inching up from 0.7%^{mth}, the lowest reading in four months, to 0.8%^{mth}. The latest available data for borrowing in financial markets (for January as the data for February is not available at this point) suggested that debt issuance, a financing option usually available only to the biggest businesses, has been growing at a relatively slower pace. This hints that at the margin, there might be substitution towards borrowing from credit institutions.
- Other personal credit (4% of total private credit) increased 0.1%^{mth}, having been flat in January. It is the most volatile component, but it has also been persistently the weakest. In terms of its annual growth, for the first time since the end of 2023 it dropped below 2.0%^{yr}.

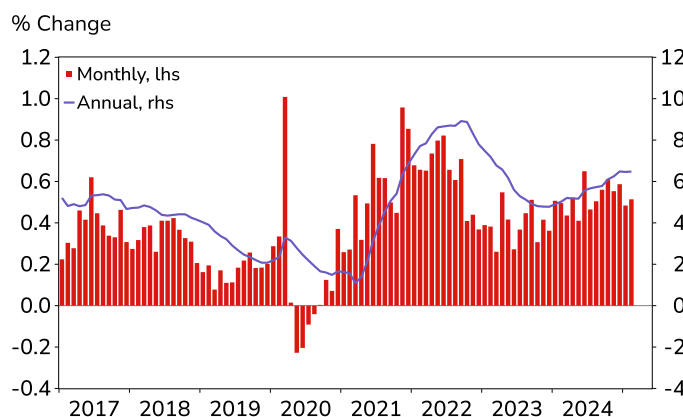
Robust nominal income growth, increasing population, and strong, albeit slowing, house price growth provided a tailwind to private sector credit over the course of 2024. At the aggregate level, the latest figures are pointing to a more stable picture for growth. They are broadly consistent with our expectation that the upward trend is likely to run out of steam in the near term. Population growth has eased slightly, and the moderation in house price growth will start feeding through to lower housing credit numbers.

The balance of risks around business credit growth also appears to be skewed to the downside. While the December National Accounts had some green shoots around prospects for firming private demand, the recovery is likely to be slow-going.

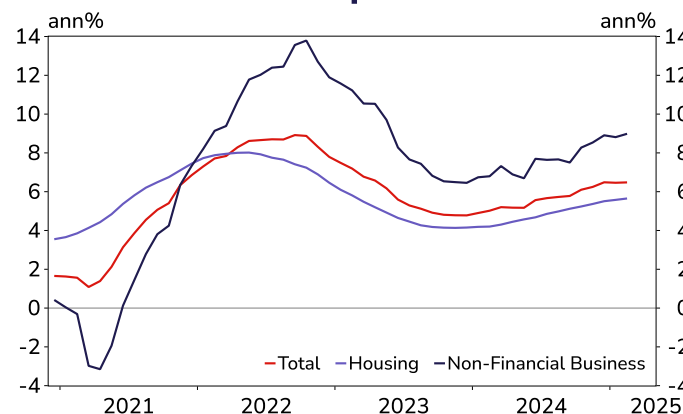
In the near term, the growth story is likely to be overshadowed by global developments, including uncertainty about the US economic outlook and rising import tariffs, and the upcoming federal elections domestically, which are likely to leave businesses more reluctant to borrow more.

While the February numbers did not provide any meaningful insight into the borrower's reaction to the RBA cash rate cut mid-month, going forward, lower interest rates might start to alleviate some of the concerns among budget-constrained borrowers. That effect, if large enough, could start to emerge in the data fairly soon, as the 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



Private Sector Credit Components





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