



30 April 2025

# AUSTRALIAN PRIVATE CREDIT BULLETIN

## Stable credit growth for now

- Private sector credit continues to track a stable trend, rising 0.5%*mth* in March, in line with our forecast and consensus expectations.
- Under the surface, the components indicates some shifting dynamics. Residential credit growth was little changed at 0.5%*mth*, but personal credit posted one of the steepest monthly increases since the global financial crisis of 0.6%*mth*. Meanwhile, business credit rose only 0.3%*mth*, the slowest growth pace since October 2023.
- Annual growth remained at 6.5%*yr* for a fourth consecutive month. Looking at the broader trend, private sector credit growth accelerated gradually over 2024 from a pace of around 5%*yr* at the start of the year, but the latest data suggest that the pace might have topped out.
- We continue to expect that private sector growth will ease going forward, gradually dipping back below 6% in the second half of this year.

### Private sector credit, March 2025

Item	mth%		ann%	
	Feb	Mar	Feb	Mar
Total credit	0.5	0.5	6.5	6.5
Business	0.7	0.3	9.0	8.6
Other personal	0.2	0.6	2.0	2.3
Housing, total	0.4	0.5	5.7	5.7
Owner-occupier housing	0.4	0.4	5.7	5.7
Investor housing	0.5	0.5	5.6	5.7

Source: ABS, Westpac Economics.

**March:**  
**+0.5%*mth*,**  
**+6.5%*yr***

# Downside risks beginning to emerge?



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**Private sector credit rose by 0.5%*mt*h in March, a similar pace from January and February and in line with the average pace over 2024. Annual growth was also stable, remaining at 6.5%*yr* for a fourth consecutive month. While growth remains robust, details around major credit components reinforce our view that credit growth is likely to ease very gradually.**

Across the major private credit components:

- Housing credit (63% of total private credit) rose by 0.5%*mt*h, up from 0.4%*mt*h in the first two months of the year. Looking beyond one decimal number, the pace was virtually unchanged at 0.45%*mt*h, with both owner-occupier and investor credit achieving exactly the same increases.
- Business credit (33% of total private credit) disappointed, the 0.3% lift marking the smallest monthly gain since October 2023 and well below 0.7%-0.9%*mt*h pace seen in the last seven months. With the US import tariffs and global uncertainty weighing on businesses, and the forthcoming federal election providing additional layer of uncertainty domestically, we expected some moderation in this segment, but the pace was even weaker than what we had pencilled in.
- Other personal credit (4% of total private credit) increased 0.6%*mt*h, which was one of the highest monthly gains since the Global Financial Crisis. The latest [Westpac-MI Consumer Sentiment Survey](#) showed a notable decline in consumer confidence in response to the news about the US import tariffs. However, the deterioration seems to have occurred immediately after 'Liberation Day' on 2 April. Prior to this, sentiment was at its highest level since early 2022, and the notable increase in consumer credit appears to be consistent with somewhat more optimistic mood that month.

Looking ahead, we think credit growth is likely to start easing slightly. To two decimal places, the growth rate in March was close to 0.4%*mt*h, barely rounding up from 0.45%*mt*h, implying that the downside risks we have been highlighting might be starting to materialise. We do not anticipate that the changes will be abrupt – our forecast imply only a gradual moderation in the second half of this year to below 6%*yr*.

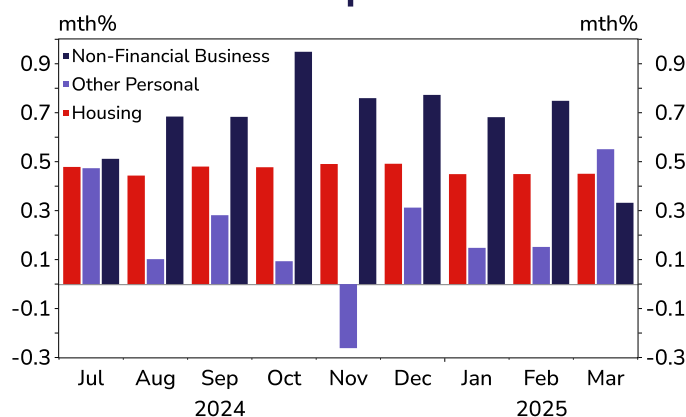
Lower house price growth over the course of 2024 is likely to start feeding into residential credit figures. We estimate that the typical lag in that effect could be around half a year. However, it might be tempered as the RBA's continues to ease monetary policy settings, attracting more demand to the housing market.

We would expect to see consumer credit growth easing

back down in April, in line with weaker consumer sentiment. However, consumer reaction to global economic news remains quite uncertain. For example, our [Westpac Card Tracker](#), a high frequency spending indicator, suggested little or no immediate impact on consumer spending in Australia from the sharp increase in the US import tariffs on 2 April.

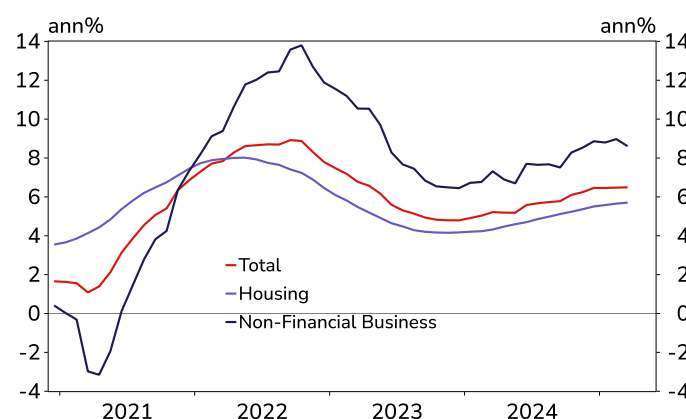
Meanwhile, with business credit growth having already eased in March, we doubt that firms will have gained confidence to borrow much more in April and potentially beyond that, until there is more certainty about key global trade policy parameters.

## Private Sector Credit Components



Source: RBA, Macrobond, Westpac Economics

## Private Sector Credit





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