



30 May 2025

# AUSTRALIAN PRIVATE CREDIT BULLETIN

## Upside surprise to private sector credit growth

- Private sector credit surprised on the upside reporting a 0.7%*mth* increase in April, which represented the best result since September 2022.
- Housing credit remained little changed, at 0.5%, in line with the previous trend. Business credit rose 1.0%*mth*, the highest pace in six months. Personal credit growth eased from 0.6%*mth* to 0.3%*mth*, still above-average growth.
- Annual growth rose to 6.7%*yr* from 6.5%*yr* in the first three months of the year. Nevertheless, we think it would be too early to conclude that after a period of stability private sector credit growth has resumed an upward trend.
- Downside risks from global uncertainty, lower house price growth and a slow domestic economic recovery will continue to linger. Households and business reaction to subsequent interest rate cuts might be a critical factor going forward.

### Private sector credit, April 2025

Item	mth%		ann%	
	Mar	Apr	Mar	Apr
Total credit	0.5	0.7	6.5	6.7
Business	0.4	1.0	8.7	9.1
Other personal	0.6	0.3	2.2	2.3
Housing, total	0.4	0.5	5.7	5.8
Owner-occupier housing	0.5	0.5	5.7	5.7
Investor housing	0.4	0.6	5.7	5.9

Source: ABS, Westpac Economics.

**April:**  
**+0.7%*mth*,**  
**+6.7%*yr***

# Upside surprise in the face of downside risks



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The RBA's private sector credit data reported a 0.7%*mt* jump in April. This series has been growing at a steady pace within 0.4-0.6% range for many months, while the increase in April is only a touch higher, it represented the best result since September 2022. The annual rate of growth rose from 6.5%*yr* recorded in the first three months of the year to 6.7%, the highest level in this cycle.

Across the major private credit components:

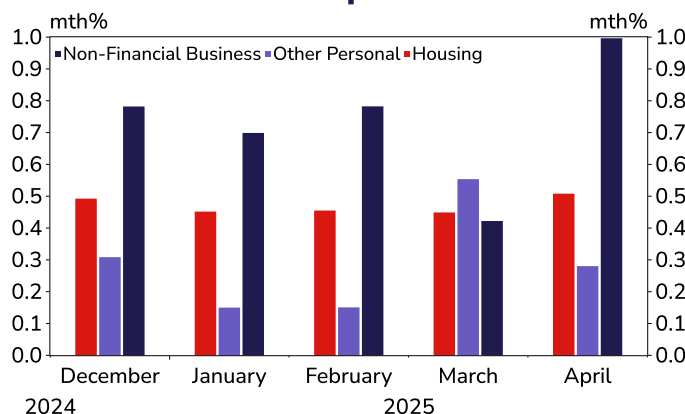
- Housing credit (63% of total private credit) growth inched back up from 0.4%*mt* to 0.5%*mt*, where it was for six consecutive months to February. The very stable growth rates seem to be resilient to slowing house prices growth, questions over housing affordability and household concerns about their own financial situation ahead.
- Business credit (33% of total private credit) surprised significantly on the upside, rising by 1.0%*mt*, the highest pace in six months. The result suggested that businesses did not hesitate to commit to additional borrowing despite the volatility in financial markets that month, increase global uncertainty after the US imposed large import tariffs, and a lack of clarity over domestic policy priorities ahead of the general election.
- Other personal credit (4% of total private credit) increased 0.3%*mt*, down from the 0.6%*mt* pace in March, but still above the average in the prior twelve months of 0.2%. The retreat is consistent with lower consumer confidence that month – the Westpac-MI Consumer Sentiment Index showed a deterioration after the 'Liberation Day' trade policy announcements in the US.

More broadly, today's figures emphasise the resilience of consumer credit growth in the face of significant global and domestic uncertainties. But we think it would be too early to conclude that after a period of stability private sector credit growth has resumed an upward trend. Given that the downside risks from global uncertainty will continue linger, and with the domestic recovery gathering pace only very slowly, credit growth might easily inch back down in the coming months to the recent averages or even below them.

An offsetting factor will be households and business reaction to lower interest rates going forward. The latest data going up to March imply that borrowing rates have already declined in response to the first RBA interest rate cut in February, which must have supported credit growth in April. With the central bank having reduced the cash rate further this month, and with

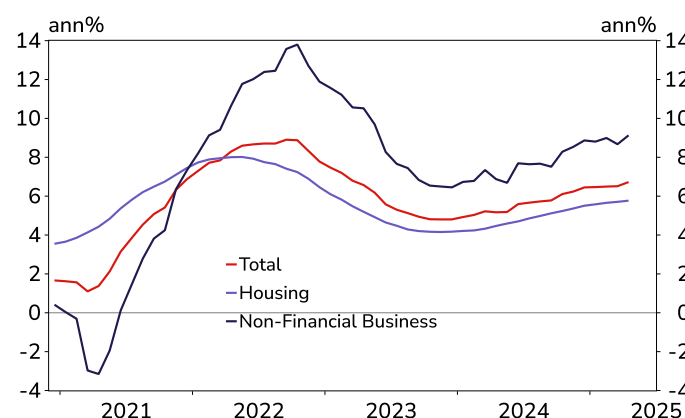
three additional cuts currently priced in by financial markets for this year, the momentum might continue in the coming months, potentially with a tapering intensity as subsequent interest rate cuts attract less attention.

## Private Sector Credit Components



Source: RBA, Macrobond, Westpac Economics

## Private Sector Credit





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