



30 June 2025

# AUSTRALIAN PRIVATE CREDIT BULLETIN

## Private sector credit growth stabilised

- Private sector credit growth eased back to 0.5%*mth* in May, matching our expectations and the average pace for 2024, with annual growth rising to 6.9%*yr*, a new high in this cycle.
- Housing credit growth remained steady at 0.5%*mth*, consistent across owner-occupiers and investors, and showing no material impact from lower interest rates.
- Business credit growth eased to 0.8%*mth*, contributing to a 9.5%*yr* annual pace, driven by sectors like utilities, financial services, and telecommunications.
- Personal credit growth rose to 0.5%*mth*, one of the highest readings in the current cycle, contrasting with the 'cautious pessimism' message from the consumer sentiment survey.

### Private sector credit, May 2025

Item	mth%		ann%	
	Apr	May	Apr	May
Total credit	0.7	0.5	6.7	6.9
Business	1.0	0.8	9.1	9.5
Other personal	0.3	0.5	2.3	2.9
Housing, total	0.5	0.5	5.8	5.8
Owner-occupier housing	0.5	0.5	5.7	5.7
Investor housing	0.6	0.5	5.9	6.1

Source: ABS, Westpac Economics.

**May: +0.5%*mth*,  
+6.9%*yr***

# Back to stable growth



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As we expected, private sector credit growth printed 0.5%*mt* in May, aligning with the pace seen in the first three months of the year and the average for 2024. The data confirmed April's pop higher to 0.7%*mt* was a one-off. Despite RBA rate cuts, a sluggish economic backdrop domestically, and ongoing uncertainty about the state of the global economy, credit growth continues to follow a stable growth trend. That said, some of the details pointed to a strengthening in momentum. For example, the headline growth to two decimal places was just shy of the rounding range for an increase of 0.6%*mt*. Additionally, the annual pace rose 0.2ppt to a new high in this cycle of 6.9%*yr*.

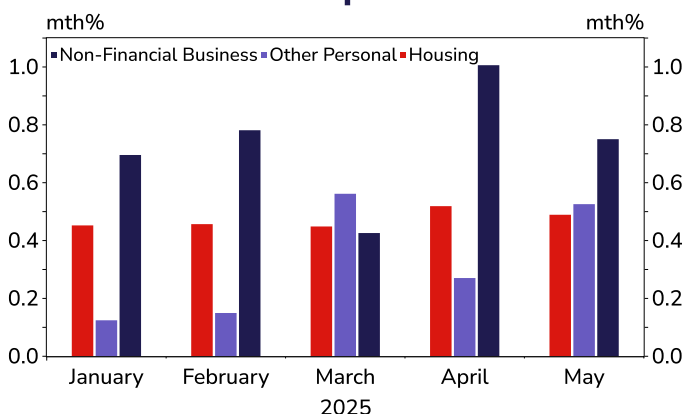
Across the major private credit components:

- Housing credit (63% of total private credit) growth did not bring any major surprises, maintaining its steady 0.5%*mt* pace. The series has been particularly consistent lately – it reported eight 0.5%*mt* increases in the last nine months. Both owner-occupier and investor credit also increased at the same rate, suggesting no major differences in the borrowing patterns between the two sectors. Notably, the latest house price data implies that the RBA interest rate cuts are providing some additional support to prices, but credit flows did not suggest a corresponding increase.
- Business credit (33% of total private credit) growth moderated to 0.8%*mt* (0.75% to two decimal places), broadly in line with the averages of 2024 and 2025 so far of 0.7%*mt*, which left the annual pace rising to 9.5%*yr*. The industry breakdowns, which are published with an additional one-month lag, showed that utilities, the financial sector and mining sectors were the main contributors to annual growth in April.
- Other personal credit (4% of total private credit) growth accelerated to 0.5%*mt* marking the second steepest monthly increase the current cycle. The higher pace of growth does not seem to fully align with the consumer sentiment figures observed of late. For example, while the Westpac-MI Consumer Sentiment Index showed some improvement in May and June after a sharper decline in April, its level and additional details remained consistent with 'cautious pessimism' among consumers.

Looking ahead, we will be watching the data closely for signs that lower interest rates are providing additional support to credit flows. As monetary policy loosening gathers pace – we expect the RBA to cut the cash rate in the next meeting in July

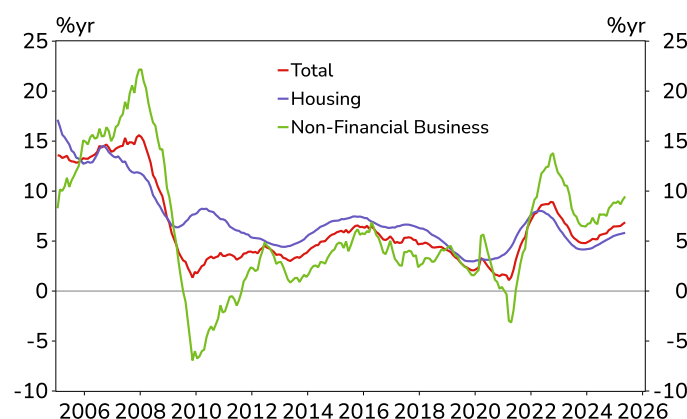
and three additional times after that – more room for additional borrowing should open up within stretched household budgets, particularly if household nominal income growth remains relatively firm. However, a bumpy domestic recovery and subdued outlook for business investment suggest that upside potential for growth might be limited.

## Private Sector Credit Components



Source: RBA, Macrobond, Westpac Economics

## Private Sector Credit Growth





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