29 August 2025

AUSTRALIAN PRIVATE CREDIT BULLETIN

Another lift

- Private sector credit growth accelerated to 0.7%mth in July, the joint highest rate in the current cycle. The pace of growth exceeded our and market consensus expectations of a 0.6%mth increase. The annual pace rose to 7.2%yr, a 2.5-year high.
- Business credit growth remained the main driver, surging 1.4%mth. We have not seen a steeper increase since late 2021.
- Housing credit growth remained steady at 0.5%mth, with no clear signs that lower interest rates are supporting higher lending flows.
- Having posted the steepest increase since December 2007 of 0.8%mth, personal credit growth moderated, but at 0.4%mth, it still exceeded the average of the last twelve months.

Private sector credit, July 2025

	mth%		yr%	
Item	Jun	Jul	Jun	Jul
Total credit	0.6	0.7	6.9	7.2
Business	0.5	1.4	9.0	10.0
Other personal	0.8	0.4	3.7	3.6
Housing, total	0.5	0.5	5.9	6.0
Owner–occupier	0.5	0.5	5.8	5.7
Investor	0.6	0.6	6.3	6.6

Source: ABS, Westpac Economics.

July: +0.7%mth, +7.2%yr

Credit growth gathers momentum

Mantas Vanagas
Senior Economist, Westpac Group
P: +61 422 030 326
E: mantas.vanagas@westpac.com.au

The private sector credit has been on a very stable upward trend since around the start of 2024, growing at a monthly pace around 0.5%mth. While the last three months registered only slightly higher growth – one 0.7%mth and two 0.6%mth increases – they had given an impression that the upward trend is beginning to tilt upward. And today's release for July reinforced that view, with another 0.7%mth increase, which represented the joint steepest rise in the current cycle. To two decimal places, the increase was 0.74%mth, very close to a rounding range for 0.8%. And the annual pace rose to 7.2%yr, exceeding the 7% mark for the first time since early 2023, and also confirming stronger underlying pace.

Across the major private credit components:

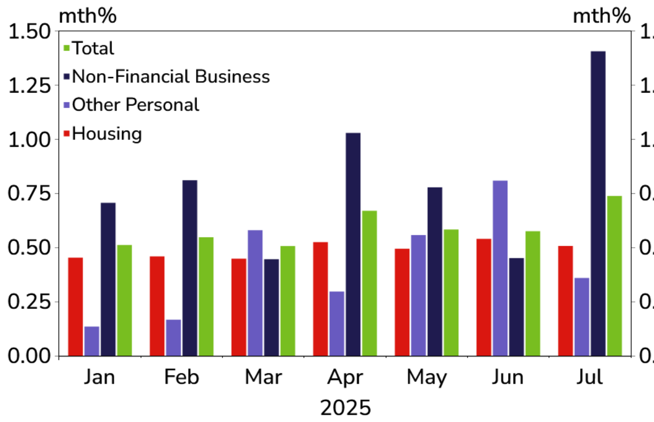
- **Housing credit** (63% of total private credit) did not bring any major surprises, showing another 0.5%mth rise, the same as almost every month in the last year. The unchanged pace suggested that lower mortgage rates following the RBA interest rate cuts have had little impact on housing credit so far, even though house prices have taken a step higher in recent months. The breakdown of credit flows between owner-occupiers and investors started showing a diverging trend, where the latter group, arguably more sensitive to interest rate changes, seeing somewhat stronger credit growth of 0.6%mth vs 0.5%mth and 6.6%yr vs 5.7%yr.

- **Business credit** (33% of total private credit) surged 1.4%mth, the joint highest since late 2021, which left the annual pace rising a full percentage point to 10.0%yr. The high pace of business credit growth in recent months and quarters have contrasted with the subdued pace of business investment growth, as illustrated in yesterday's release of the [Q2 private capex data], but it is worth noting that the relationship between business borrowing and investment is not always particularly strong. Additional details of business lending by size revealed that the largest businesses have been leading the way. And the debt security issuance, a form of borrowing usually available only to the largest businesses, have also been growing at a double digit annual pace recently.

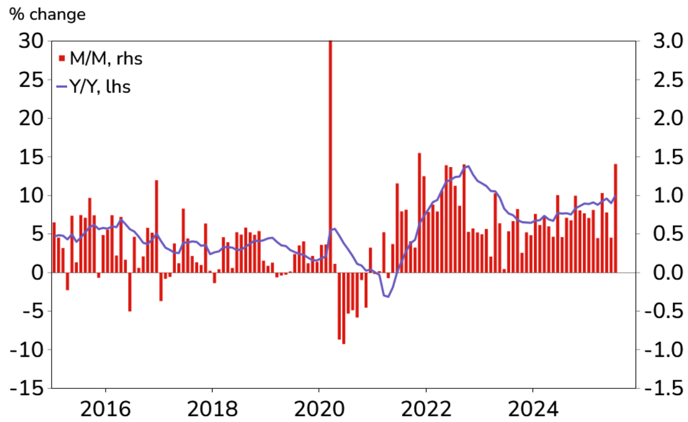
- **Other personal credit** (4% of total private credit) growth reached 0.8%mth in June, the highest pace since the end of 2007. A payback in July after such a strong month always seemed likely, and, indeed, today's figures showed a decline to 0.4%mth pace, still above the 0.3%mth average seen over the last twelve months. The higher growth rates in this category are broadly consistent with higher levels of consumer sentiments, [reported by the latest Westpac-MI Consumer Sentiment survey].

Looking ahead, a gradual recovery in domestic demand and somewhat stronger momentum in the housing market are major tailwinds for private sector credit, and we see room for further increases. The effects of lower interest rate might also begin to show up in the data more clearly, as they often come with significant lags. On the other hand, credit growth, particularly in the business sector, is already at elevated levels, and so a further upside might be limited.

Private Sector Credit Components



Business Credit Growth



Corporate Directory

Westpac Economics / Australia

Sydney
Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis
Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan
Head of Australian Macro-Forecasting
E: mhassan@westpac.com.au

Elliot Clarke
Head of International Economics
E: eclarke@westpac.com.au

Sian Fenner
Head of Business and Industry Economics
E: sian.fenner@westpac.com.au

Justin Smirk
Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante
Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas
Senior Economist
E: mantas.vanagas@westpac.com.au

Illiana Jain
Economist
E: illiana.jain@westpac.com.au

Neha Sharma
Economist
E: neha.sharma1@westpac.com.au

Ryan Wells
Economist
E: ryan.wells@westpac.com.au

Westpac Economics / New Zealand

Auckland
Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold
Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon
Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs
Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod
Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark
Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva
1 Thomson Street
Suva, Fiji

Shamal Chand
Senior Economist
E: shamal.chand@westpac.com.au

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