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Aussie Mortgage Surge Triggers Dip in Savings

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Australia's mortgage lending surged in June, with total new loans climbing by \$17.7 billion, according to data from financial comparison site Canstar. This marks one of the sharpest monthly increases in recent years and signals renewed strength in the housing market following two earlier cash rate cuts by the Reserve Bank of Australia (RBA) in February and May.

Sally Tindall, research director at Canstar, said the sharp rise in borrowing reflects renewed market momentum.

“The residential mortgage market went into overdrive in June, fuelled by the two cash rate cuts,” Tindall said.

The increase in lending has also coincided with a notable decline in household savings. According to Canstar, bank deposits fell by 0.74% in June, the first monthly drop in a year and the sharpest since early 2022. This suggests many Australians are drawing down savings to either enter the property market or cover financial commitments.

Tindall noted this is not uncommon at the end of the financial year, as households manage taxes and outstanding expenses.

“Household savings took a hit in June as people tucked into their savings to pay for end-of-financial-year costs,” she explained.

“However, we expect this dip to be temporary, despite the cost-of-living crunch, as Australians remain steadfast in building up their war chests.”

Meanwhile, inflation has eased to its lowest point since the COVID-19 pandemic, according to new figures from the Australian Bureau of Statistics. The trend is prompting speculation among economists that the RBA may implement a third rate cut when it meets on August 12.

Economists note that while borrowing has increased, affordability concerns persist. The rise in home prices across major cities continues to stretch household budgets. Nevertheless, the rate cuts have made mortgages more attractive, particularly to first-time buyers and investors looking to take advantage of improved credit conditions.

The data also reveals ongoing strength in Australia’s property market. Despite global economic concerns, housing remains a central pillar of domestic economic activity. Analysts believe this trend could continue into the second half of the year, especially if borrowing costs decline further.

However, some experts caution that sustained lending growth without corresponding wage increases could place further pressure on household finances in the long term.