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AUSTRALIAN PRIVATE CREDIT BULLETIN

Upside surprise

- The latest private sector credit data surprised to the upside, showing a 0.8%*mt* increase in December, the steepest in the current cycle. On an annual basis, growth rose to 7.7%*yr*, also a new high after the pandemic.
- The data showed 0.7%*mt* rise in housing credit. Borrowing by investors once again led the way with a 1.0%*mt* gain, while owner-occupier growth remained steady at 0.5%*mt*.
- Other personal credit rose 0.5%*mt* and recovering after a 0.6%*mt* contraction in November.
- Business credit growth also accelerated reaching a five-month high of 1.0%*mt*, signalling that business remain in a strong position to borrow and invest.

Private sector credit, December 2025

Item	% <i>mt</i>		% <i>yr</i>	
	Nov	Dec	Nov	Dec
Total credit	0.6	0.8	7.4	7.7
Business	0.9	1.0	9.4	9.7
Other personal	-0.6	0.5	3.9	4.0
Housing, total	0.6	0.7	6.6	6.9
Owner-occupier	0.5	0.5	6.0	6.1
Investor	0.8	1.0	8.1	8.5

Source: ABS, Westpac Economics.

**December:
+0.8%*mt*,
+7.7%*yr***

A strong year for credit growth ends on a high note



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After growing at a 0.5%*mt* pace during the first three months of the year, private sector credit growth edged higher in April 2025 and then oscillated between 0.6–0.7% since. However, today’s figures revealed another step up, with the headline rate rising from 0.6% in November to 0.8%*mt* in December, above our and consensus expectations of 0.6%*mt*. This pace of growth has not been seen since 2022, during the recovery that followed the pandemic shock.

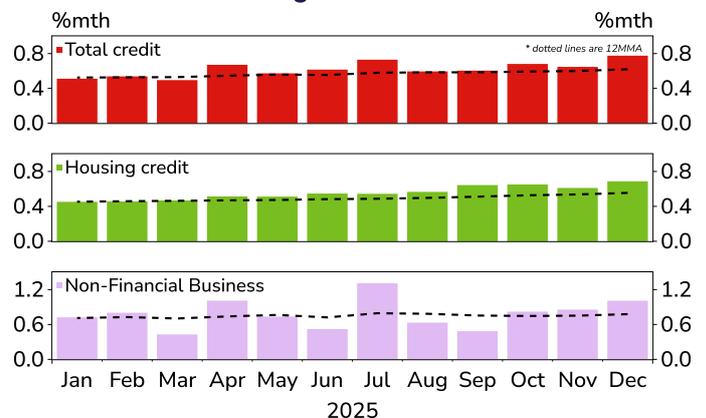
- Housing credit, which makes up over 60% of total private credit, remained the main driver. It accelerated to 0.7%*mt*, reaching this level for only the second time in the current cycle. To two decimal places, the 0.69%*mt* increase was the steepest since early 2022. Housing market sentiment remains mixed, with consumers still expecting strong price gains, even though their views on whether it is a good time to buy a house remain below historical averages. House price growth also varies significantly across major capitals, with Sydney and Melbourne – where affordability is most stretched – lagging behind.
- The breakdown of housing credit by category – owner-occupiers and investors – continues to show diverging trends. Owner-occupier credit kept a steady growth path, rising by 0.5%*mt* for the ninth time in the past ten months. The main driver of increased borrowing was investors, who tend to be less constrained by affordability. Investor credit surged 1.0%*mt*, marking the steepest rise in over eighteen years.
- Other personal credit (4% of total private credit) rose 0.5%*mt*, above the yearly average of 0.3%*mt*. This rebound suggests that the 0.6%*mt* drop in November was likely a one-off, with the underlying trend in personal credit remaining strong as consumer spending appeared to accelerate in the final quarter.
- Business credit (33% of total private credit) increased 1.0%*mt*, the highest in five months. The September quarter national accounts showed a sharp lift in business investment, with momentum spreading into more cyclically driven sectors. With three-month business credit growth accelerating in Q4, businesses appear to be in a good position to borrow and invest.

Looking ahead, private sector credit is likely to remain elevated in the near term. A recovery in household disposable income and solid spending growth provide a favourable backdrop for household borrowing. However, housing market dynamics will play a key role in the medium term. Further softening in national house price growth could weaken demand for housing credit, particularly as investor credit may be more sensitive

to shifts in the economic outlook and interest rates. Last year’s monetary policy easing supported market activity and contributed to house price growth. Move forward to today, and the RBA looks like it will [raise the cash rate](#) at its next policy meeting on 2 February. This could see the balance of risks around the housing market outlook shift quickly, depending on the Bank’s guidance and rhetoric.

The balance of risks for business credit also appears skewed to the downside over the medium term, as leverage returns to normal and businesses may be less willing to overextend themselves.

Private sector credit growth



Housing Credit Growth



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