



27 February 2025

# AUSTRALIAN PRIVATE CREDIT BULLETIN

## Downside surprise

- Private sector credit growth slowed in January, falling from 0.8%*mth* to 0.5%*mth*, which was below both our own and consensus expectations of a 0.7%*mth* increase. Year-ended growth remained unchanged at a three-year high of 7.7%*yr*.
- The data showed a slowdown in housing credit growth from 0.7%*mth* to 0.6%*mth*. Owner-occupier credit saw a further 0.5%*mth* increase, so the softness was driven by moderation in the investment category, where growth eased by 0.2

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 to 0.8%*mth*.
- Other personal credit rose by 0.2%*mth* after a couple of more volatile months. The data are consistent with slower consumer spending growth at the start of the year.
- Business credit growth fell to 0.5%*mth*, the bottom of the recent range. With the outlook for business investment remaining firm, for now we interpret this weaker result mainly as payback after elevated growth in recent months, rather than a sign of a more significant correction.

### Private sector credit, January 2026

Item	% <i>mth</i>		% <i>yr</i>	
	Dec	Jan	Dec	Jan
Total credit	0.8	0.5	7.7	7.7
Business	1.0	0.5	9.7	9.4
Other personal	0.5	0.2	4.0	4.1
Housing, total	0.7	0.6	6.9	7.0
Owner-occupier	0.5	0.5	6.1	6.1
Investor	1.0	0.8	8.5	8.9

Source: ABS, Westpac Economics.

**January:  
+0.5%*mth*,  
+7.7%*yr***

# Some payback after strong 2025



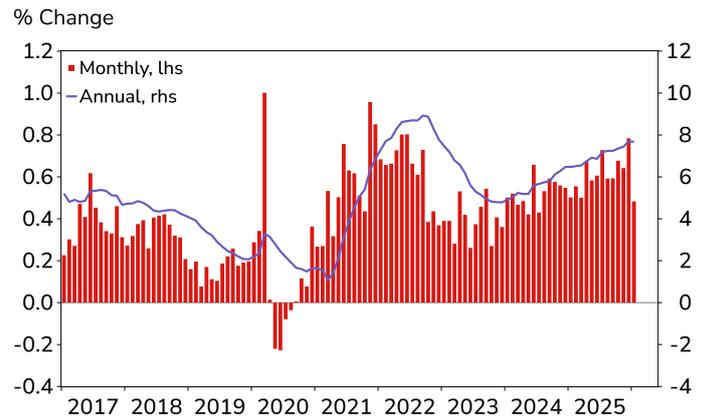
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Private sector credit growth, which peaked at 0.8%*mth* in December, the steepest increase since mid-2022, unexpectedly slowed in January, dropping to 0.5%*mth*. This was below both our forecast and consensus expectations of a 0.7%*mth* rise. The result matches the two lowest readings seen last year, in January and March.

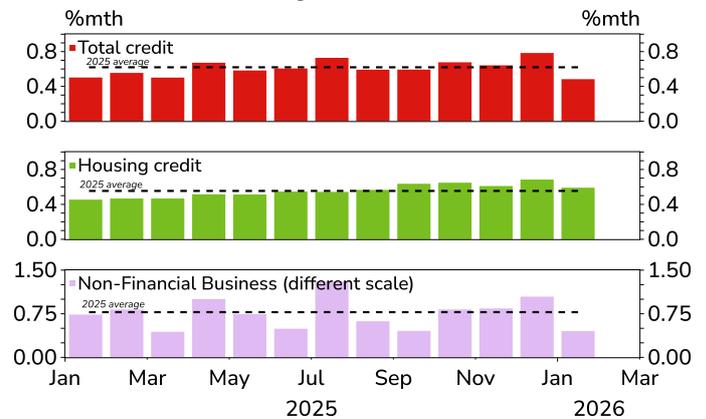
- Housing credit (62% of total credit stock) grew by 0.6%*mth*, slightly below the 0.7%*mth* increase in December but consistent with the pace observed over the previous four months. After strong momentum last year, house price growth had a softer start to 2026. Consumers appear to be responding to a higher outlook for interest rates; however, evidence remains inconclusive due to subdued market activity during the summer off season. Despite this minor slowdown, housing credit growth continues to show robust momentum.
- The decline in housing credit growth was entirely attributable to the investor credit category. Investor credit surged 1.0%*mth* in December – the steepest rise in over eighteen years – and eased to 0.8%*mth* in January, which remains strong by historical standards. Meanwhile, owner-occupier credit maintained 0.5%*mth* growth for the twelfth consecutive month.
- Other personal credit (4% of total private credit) increased by 0.2%*mth*, following a 0.5%*mth* rise in December and a 0.6%*mth* decrease in November. The latest [Westpac-DataX Card Tracker Index](#) indicates a moderation in consumer spending growth early in the year, and the personal credit growth, below the 2025 average of 0.3%*mth*, supports this view.
- Business credit growth (33% of total private credit) fell to 0.5%*mth*, matching the lower end of last year’s range. This follows several stronger readings late last year and suggests a degree of payback after a period of rapid growth.

Overall, the outlook for credit growth remains uncertain. While today’s below-expectation result alone should not warrant strong conclusions, the slower growth across most major components may indicate that borrowers are becoming a little more cautious as higher interest rate prospects place further pressure on affordability. We believe risks to housing credit are likely more pronounced than those for business credit. [Yesterday’s Q4 CAPEX data](#) showed business investment momentum is broadening into more cyclical sectors. Business leverage ratios have largely normalised post-pandemic, but firms may be ready to increase leverage further, supported by strong domestic demand and expanding business opportunities.

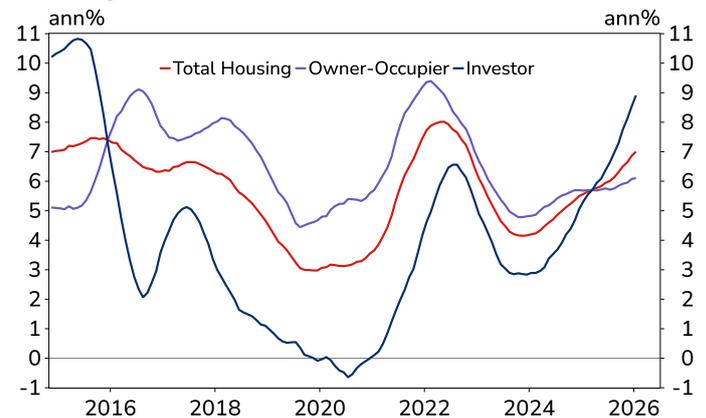
## Private Sector Credit Growth



## Private sector credit growth



## Housing Credit Growth



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