31 August 2026

AUSTRALIAN PRIVATE CREDIT BULLETIN

Housing weakness comes through

- Private sector credit growth eased to 0.6%mth in July, in line with our expectations and below the consensus forecast of a 0.7%mth increase.
- Housing credit growth ticked 0.1ppt lower to 0.5%mth. Looking beyond one decimal place, the 0.49%mth pace was the slowest since March 2025.
- Investor credit growth showed the biggest change, with growth dropping 0.3ppts to 0.46%mth, a two-year low. Owner-occupier credit growth was stable, also at 0.46%mth.
- Business credit remained the main driver of the total credit. As we expected, the pace of growth eased slightly, but at 0.948%mth it remained strong by historical norms.
- We expect the effects of higher interest rates, lower house prices and, most importantly, tax changes for investment properties to flow through in the coming months, pushing housing credit growth lower. Business credit growth should remain strong in the meantime.

Private sector credit, July 2026

	%mth		%yr	
Item	**Jun**	**Jul**	**Jun**	**Jul**
Total credit	0.8	0.6	8.6	8.4
Business	1.1	0.9	11.0	10.6
Other personal	0.9	0.3	4.7	4.7
Housing, total	0.6	0.5	7.5	7.4
Owner–occupier	0.5	0.5	6.1	6.1
Investor	0.8	0.5	10.4	10.1

Source: RBA, Westpac Economics.

July: +0.6%mth, +8.4%yr

Housing credit cools, business holds firm

Mantas Vanagas
Senior Economist

Private sector credit growth readings of 0.8%mth over the past couple of months had looked unsustainable, not least given the slowing housing market, which accounts for the lion's share of overall credit outstanding. Come July, the pace has now dropped to 0.6%mth, in line with our expectations but 0.1ppt below the market consensus. Housing credit was the main source of weakness, with investor credit growth beginning to adjust lower in response to higher interest rates, lower house prices and, most importantly, tax changes for investment properties. Meanwhile, business borrowing continued to rise rapidly.

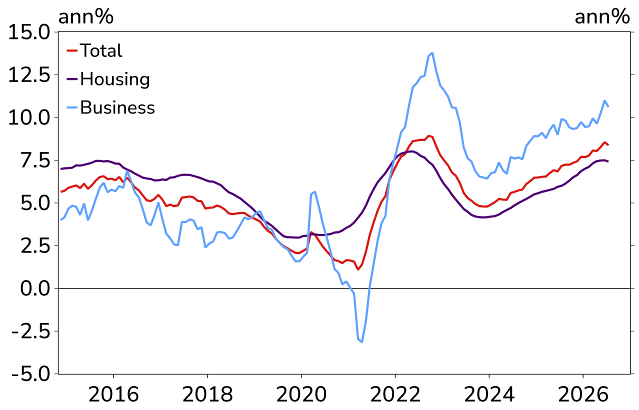
- Housing credit, which accounts for 62% of total credit stock, eased to 0.5%mth. Looking beyond one decimal place, growth of 0.49%mth was the slowest since March 2025. The year-ended pace was 7.4%yr, down from 7.5%yr in June, marking the first deceleration since September 2023.
- Investor credit growth was the most notable component, falling from 0.8%mth to 0.5%mth (0.46%mth), a two-year low. Owner-occupier credit growth was meanwhile stable at 0.5%mth. At the second decimal place, the 0.46%mth pace points to only a very gradual slowing from the 0.51%mth average in H2 2025 and 0.48%mth in H1 2026.
- Growth in other personal credit, the smallest major category, moderated after a 0.9%mth jump in June, falling back to 0.3%mth, in line with its average pace last year.
- As we expected, business credit also ticked lower after two months of increases above 1%. But the 0.9%mth pace (0.948%mth) was still strong by historical standards, suggesting firms continue to borrow for both working capital and investment opportunities. The year-ended growth pace eased from 11.0%yr to 10.6%yr.

We had expected a slowing in housing credit growth to crystalise for some time. While higher interest rates and a softer economic outlook did not trigger the change on its own, the sudden shift in investor credit relative to much more stable owner-occupier credit suggests that tax changes for investment properties are likely to be the main catalyst in the current economic environment. The timing of the shift – a couple of months after the Federal Budget announcement in May – is also consistent with the typical 2-3 month lag in the credit delivery process.

Business credit, meanwhile, remains a clear source of strength, suggesting little direct impact from higher interest rates. The latest change in the monthly growth pace does not look particularly meaningful, mostly reflecting month-to-month volatility, but it does suggest that the annual pace is settling in the low double digits for now. Debt issuance in financial markets – another form of borrowing available to the largest corporates – has also been expanding rapidly, particularly domestically, reinforcing the message that businesses are not hesitating to borrow, particularly in the current environment, where businesses need to invest to keep up with AI-driven technological shift in the economy.

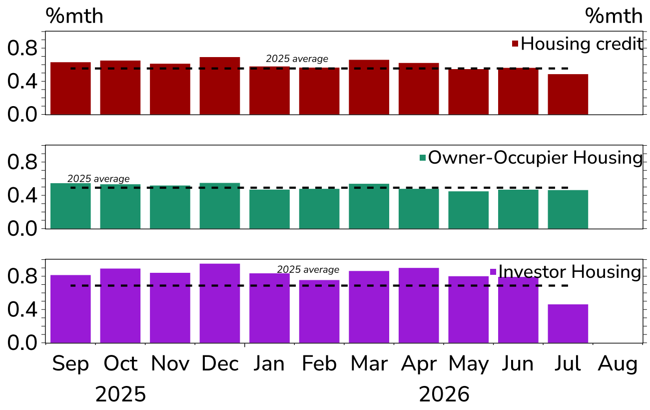
Going forward, we think the divergence between housing credit and business credit will persist, as the current housing market headwinds flow through more fully into the housing credit numbers.

Private sector credit growth



Source: RBA, Macrobond, Westpac Economics

Housing credit growth



Source: RBA, Macrobond, Westpac Economics

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