

Economic Analysis

Value of New Loans

The value of new home loans (excluding refinancing) fell a seasonally adjusted 4.3% in December, which was more than the 2.8% envisaged by the market consensus. This followed a 4.2% decline in November (revised from -3.7%).

New home loans are now 29.3% lower than a year ago and 30.7% off their record high from January 2022. However, they remain 18.4% higher than just before the pandemic (January 2020).

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	-4.2	-29.8
Investor	-4.4	-28.3
Total	-4.3	-29.3

The fall in new home loans in December was again broad-based, with all borrower groups seeing declines both in monthly and annual terms.

Owner-occupier loans fell 4.2%, to be down 29.8% through the year, but were still 7.7% above the January 2020 level.

Loans to first home buyers declined by 4.6% and were the only group to see a decline from January 2020 (-11.0%).

Loans to other owner occupiers fell by 4.0% in December but were still 15.1% higher than just before the start of the pandemic.

Loans to investors fell by 4.4% but were 47.5% higher than in January 2020.

Number of New Loans to Owner Occupiers

The number of new home loans to owner occupiers fell 5.7% in December, to be at the lowest level since May 2020, with declines across all the major loan categories.

Construction loans saw the largest decline (-6.1%), to be at a level unseen since October 2011.

Established houses, by far the largest category, fell by 5.9% to the lowest level since mid-2020.

Loans for the purchase of newly built houses declined by 0.8%, to be the lowest since April 2014.

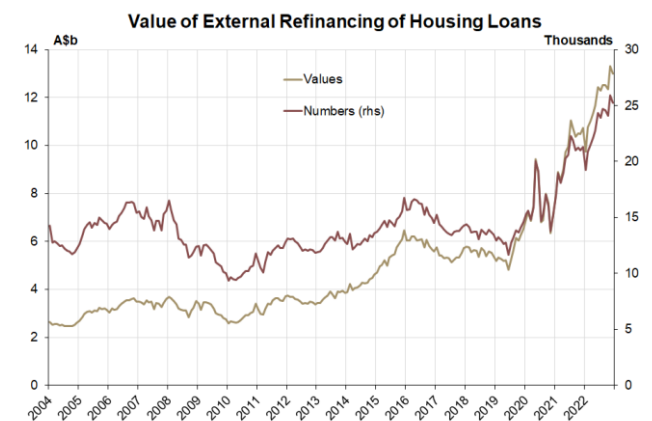
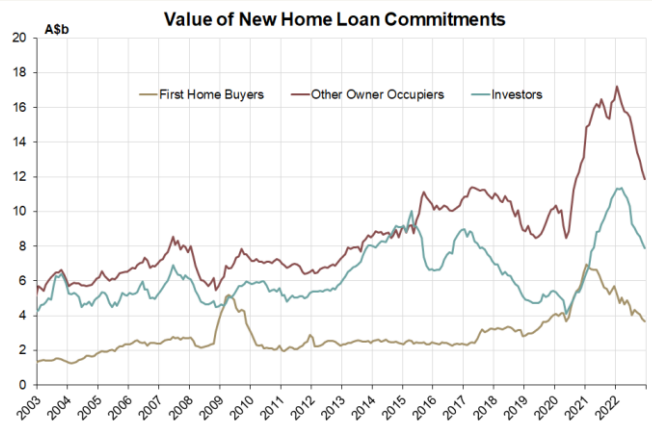
Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	-6.4	-27.8
Newly Built	-0.8	-30.1
Established Houses	-5.9	-30.6

Average Loan Size, Loan Types and Refinancing

The average loan size ticked up to A\$604k from A\$602k, with increases reported for all states but Queensland.

Refinancing ebbed from record levels from November but remained elevated as borrowers continued to shop around for lower mortgage rates amid RBA monetary policy tightening.

Housing Finance December 2022



States

New home loans declined across all states, except for Tasmania, which saw no change. The largest drop was reported for Queensland.

Western Australian new home loans saw a 1.7% decline, the smallest of all mainland states, to be 46.1% above the pre-pandemic level.

New Home Loans Value, %	MoM	YoY
Western Australia	-1.7	-19.6
New South Wales	-4.2	-35.8
Victoria	-3.9	-31.8
Queensland	-4.8	-25.1
South Australia	-1.8	-19.4
Tasmania	0.0	-13.3

Comment

The softening in the housing market continues, as higher interest rates continue to deter potential home buyers and put downward pressure on house prices.

The housing market is set to soften further, as monetary policy continues to be tightened, with another 25bps hike expected next week. The impact of tightening is being offset by strong, albeit softening labour market conditions, and associated growth in household income.

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