

Economic Analysis

Value of New Loans

The value of new home loans (excluding refinancing) rose a seasonally adjusted 4.9% in March, against market expectations of a 0.4% decline. This was the first increase in new home loans since January 2022.

The annual rate of decline eased to 26.3% from 30.8% in February.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	5.5	-24.8
Investor	3.7	-29.2
Total	4.9	-26.3

The March increase in new home loans was broad-based. Owner occupier loans rose 5.5%, with a 12.3% jump in new home buyer loans and a 3.5% rise for other owner occupiers.

New investor loans rose 3.7% in March.

Number of New Loans to Owner Occupiers

The number of dwelling approvals saw the first increase since May 2022.

The increase was led by established houses (+7.9%), which is by far the largest category. Loans for newly built houses also saw a considerable 4.9% gain.

Those increases were partly offset by a decline in the number of construction loans, which hit a new record low (since July 2002).

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	-2.4	-35.1
Newly Built	4.9	-22.2
Established Houses	7.9	-20.4

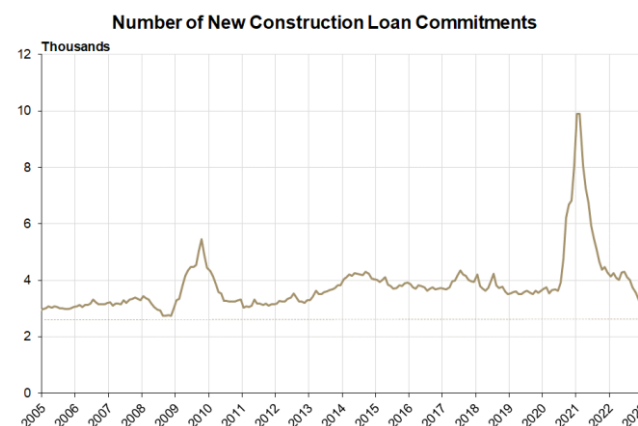
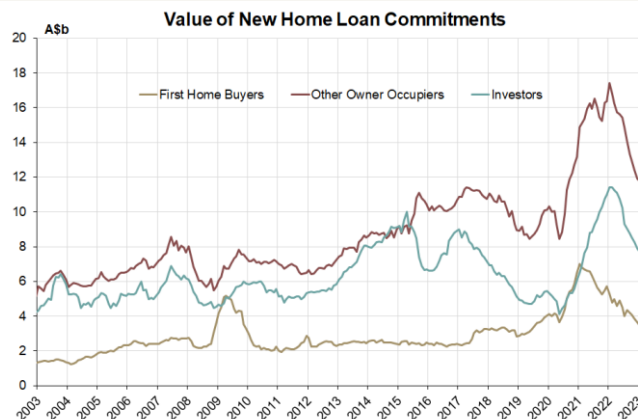
Average Loan Size, Loan Types and Refinancing

The average loan size to owner occupiers dropped further, to A\$577k from A\$586k in February. The lower average loan size may reflect a compositional change, due to a strong increase in loans to first home buyers, which tend to be smaller in value. Despite the decline, the average loan size remained historically high. Declines in the average loan size were recorded in all states but Queensland.

With the RBA appearing to be getting close to the end of the tightening cycle, 94.5% of new loans were variable-rate loans.

As households continue to shop for lower mortgage rates, the value of loan refinancing surged 6.5% to a new record high of A\$21.2b. The increase was broad-based (+3.9% for owner occupiers and as much as 12.3% for investors; in both cases it also reached a record high).

Housing Finance March 2023



States

New home loans rose across all states. Western Australian new home loans to owner occupiers rose by 5.2%, but remained 21.7% lower over the year.

New Home Loans Value, %	MoM	YoY
Western Australia	5.2	-21.7
New South Wales	2.0	-27.8
Victoria	3.1	-30.9
Queensland	10.1	-18.0
South Australia	8.2	-14.5
Tasmania	4.6	-13.4

Comment

New home loans rose in March, which corresponded with the increase in home prices and came despite the swift tightening by the RBA. This surprising stabilisation in the housing market is largely due to the shortage of housing (including rentals), exacerbated by the surge in population as well as expectations that the RBA rates are close to peaking. However, it is too early to judge if this is the start of a turnaround in the housing market, given the uncertainty over the outlook for the economy and interest rates.

5 MAY 2023

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