

Economic Analysis

Value of New Loans

The value of new home loans (excluding refinancing) fell a seasonally adjusted 3.4% in August, following an 8.5% drop in the previous month. The market consensus was for a 4.0% decline in August.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	-2.7	-15.1
Investor	-4.8	-6.4
Total	-3.4	-12.5

The decline was again recorded for both owner occupiers (-2.7%) and investors (-4.8%).

The decline in loans to owner occupiers was due to the lower value of new home loans to borrowers other than first home buyers (-5.3%). Loans to first home buyers rose by 7.0% in August but remained 23.3% lower than a year ago.

The average loan size declined to A\$589k from A\$609k.

Number of New Loans to Owner Occupiers

The number of new home loans to owner occupiers ebbed 0.4% in August, driven by a 11.3% drop in newly built houses and a 1.4% decline in lending for construction.

These declines were partly offset by a 0.7% uptick in lending for established houses, which are by far the largest category of loans.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	-1.4	-20.7
Newly Built	-11.3	-31.8
Established Houses	0.7	-17.8

Refinancing

Refinancing rose to a new series high of A\$18.9b. The increase was recorded for both owner occupiers (+2.8%) and investors (+10.9%).

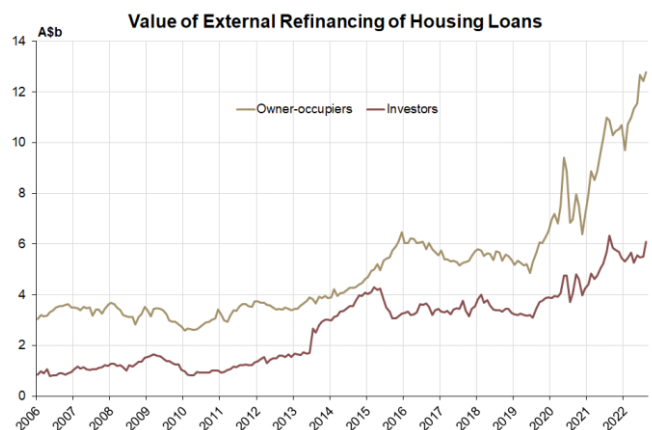
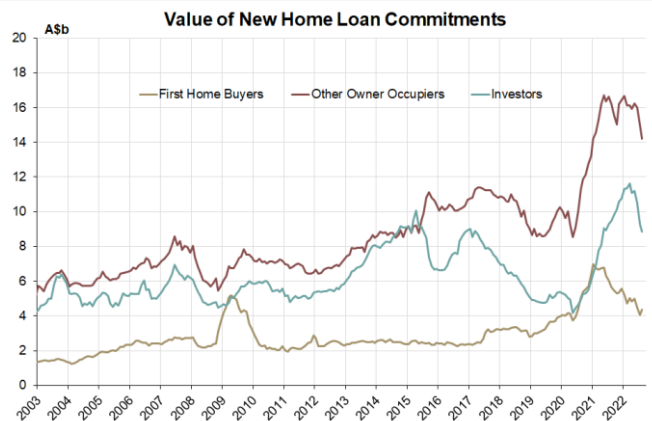
States

Western Australia was the only mainland state to see a rise in new home loans in August (+7.2%) and recorded the smallest annual decline in loan commitments of all the states (-5.3%).

The declines in other mainland states ranged between 0.4% in Queensland and 8.5% in New South Wales, which also saw the largest annual decline of all states.

New Home Loans Value, %	MoM	YoY
Western Australia	7.2	-5.3
New South Wales	-8.5	-24.3
Victoria	-2.9	-14.8
Queensland	-0.4	-9.9
South Australia	-3.8	-7.3
Tasmania	8.3	10.1

Housing Finance August 2022



Comment

Despite the ongoing normalisation, home lending activity remains elevated. The value of new home loans is still 56.6% above the 2019 average, the last COVID-free year.

However, housing market conditions are undoubtedly easing, as the RBA continues to raise interest rates. The CoreLogic house price index fell by another 1.4% in September, with declines again recorded across all state capital cities. The fall in house prices continues to be driven by the eastern states, with Perth seeing just a 0.4% decline.

At the same time, refinancing activity is high, as owner occupiers and investors continue to shop around for lower mortgage rates. Owner-occupier refinancing has hit a new record level and investor refinancing is rising sharply, but it is still 3.5% off its series high from August 2021.

We should expect the continuation of softening in the housing market, as monetary policy is tightened further and taken into restrictive territory. Just how long policy remains restrictive will largely depend on how the highly indebted household sector copes with such a large increase in interest costs.

4 OCTOBER 2022

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