

Economic Analysis

Value of New Loans

The value of new home loans (excluding refinancing) rose a seasonally adjusted 5.4% in October, much more than the 1.1% pencilled in by the consensus.

The rise in October followed an upwardly revised gain in the previous month (1.5% against the 0.6% estimated initially). Following back-to-back increases, the annual rate of growth has turned positive (+4.9% YoY).

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	5.6	1.4
Investor	5.0	12.1
Total	5.4	4.9

The October increase was broad-based. Owner occupier loans picked up by 5.6%, with loans to first home buyers up by 6.2% and loans to other owner occupiers increasing by 5.4%. Investor loans rose by 5.0%.

Annual rates of growth turned positive for all categories except for loans to owner occupiers other than first home buyers.

Number of New Loans to Owner Occupiers

The number of new home loans also saw a broad-based increase of 2.8%. Despite another rise in the month, construction loans were down by 22.7% YoY and not far from the record low from July.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	2.0	-22.7
Newly Built	1.5	-10.8
Established Houses	3.0	4.0

Average Loan Size, Loan Types and Refinancing

The average new loan size to owner occupiers (unadjusted) rose to A\$610k from A\$598k, to be just 1.2% off the record high from January 2022, with gains in all mainland states. Western Australia saw the strongest increase of all states, to A\$493k from A\$475k.

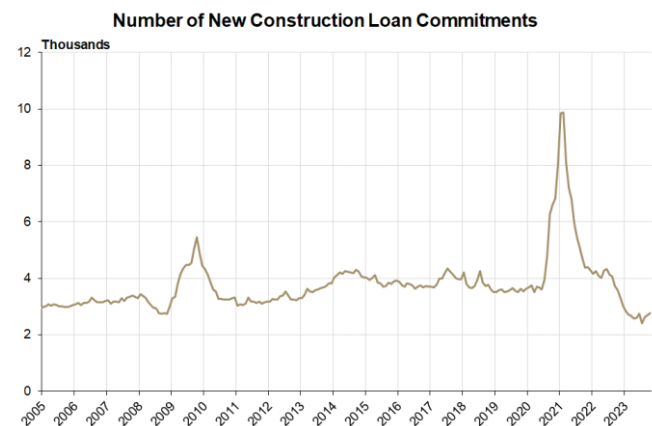
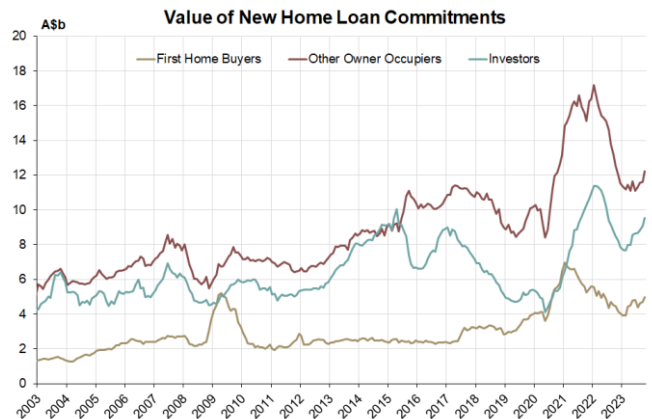
The total value of external loan refinancing fell further but remained elevated.

States

The value of new home loans to owner-occupiers rose in all states, with Western Australia seeing the strongest increase of 16.8%. Western Australia was one of four states with a positive annual rate of growth (+5.1% YoY).

New Home Loans Value, %	MoM	YoY
Western Australia	16.8	5.1
New South Wales	4.6	4.4
Victoria	2.0	-2.6
Queensland	4.5	2.6
South Australia	3.2	0.9
Tasmania	11.9	-1.3

Housing Finance October 2023



Comment

The value of new home loans picked up again in October, with the rise being more balanced this time, while the annual rate of growth turned positive for the first time since April 2022.

The ongoing uptrend in new home loans since February for both owner-occupiers and investors confirm the sustained demand for housing, despite the significant increase in mortgage rates over the past year. This demand is being fed by the sharp rise in immigration.

Construction loans remain the weak spot in this recovery, which confirms that the problem of [insufficient housing supply](#) is unlikely to be resolved soon.

The recovery in new home loan values and limited supply is reflected in the sustained increase of Aussie house prices. The CoreLogic home value index for the combined capital cities rose another 0.6% in November, with gains in all mainland capital cities except of Melbourne. Perth again saw the strongest increase of 1.9%.

The RBA is highly unlikely to increase the cash rate tomorrow, but another rate hike is 25% priced in for February 2024. If it occurs, this will be another test for Aussie housing demand.

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