

## Economic Analysis

### Value of New Loans

The value of new home loans (excluding refinancing) rose a seasonally adjusted 4.8% in May (exp. 1.4%) following a 1.0% fall in April (revised from a -2.9% decline).

The annual rate of decline eased to 20.5% from 25.1% in April.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	4.0	-20.2
Investor	6.2	-20.9
Total	4.8	-20.5

The rise in new home loans was broad-based, with owner occupier loans up 4.0%, including a 5.5% increase in first homebuyer loans, and 6.2% rise in new investor home loans.

### Number of New Loans to Owner Occupiers

The number of new home loans for construction fell 0.2%, the 11<sup>th</sup> monthly decline in a row, to reach a new series low (since 2005). Construction loans were down 40.4% YoY.

Loans for newly built and established houses continued to climb with loans for established houses up for the third month in a row, driving the rebound in house prices in recent months.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	-0.2	-40.4
Newly Built	5.1	-15.1
Established Houses	5.8	-12.1

### Average Loan Size, Loan Types and Refinancing

The average loan size to owner occupiers (unadjusted) was unchanged at A\$585k in May. The average loan size in Western Australia increased to A\$472k from A\$469k in April.

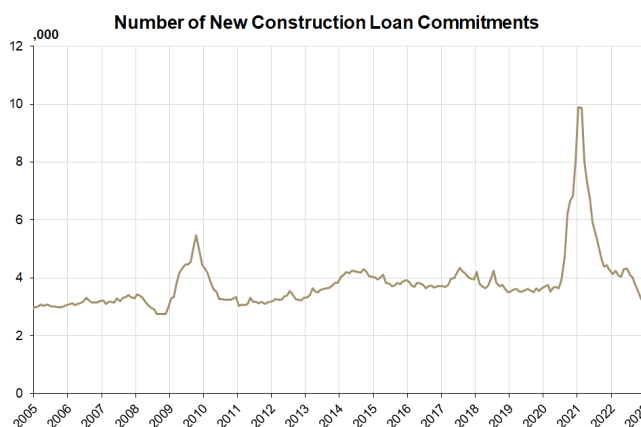
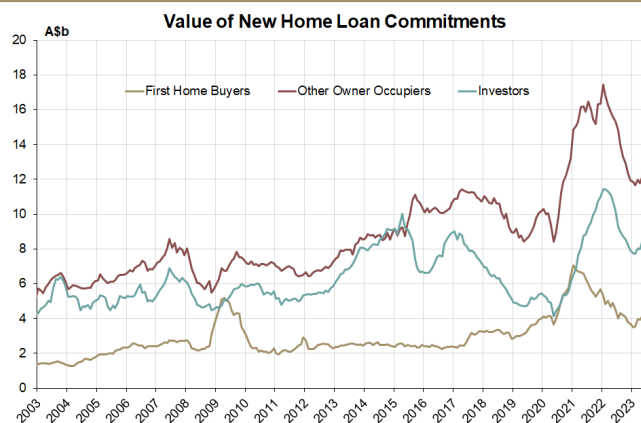
Refinancing activity remained strong. The value of owner-occupier loan refinancing increased 8.6% to reach a new high. Investor loan refinancing gained 7.2%.

### States

The value of new home loans rose in all states in seasonally adjusted terms, with New South Wales, and Tasmania seeing the biggest increases. New loans in Western Australia saw the second strongest rise in three months.

New Home Loans Value, %	MoM	YoY
Western Australia	4.4	-12.6
New South Wales	9.9	-18.7
Victoria	5.1	-26.5
Queensland	1.9	-17.1
South Australia	0.8	-15.8
Tasmania	9.6	-9.2

## Housing Finance May 2023



### Comment

The value of new home loans saw a strong rebound in May following a 1.0% fall in April, with the total value of new loans, excluding refinancing, hitting a seven-month high of A\$24.9 billion.

The rise in new loans continues to be driven by demand for established houses, with the number of construction loans sinking amid the woes in the construction sector, which continues to struggle to complete the large amount of work already underway.

The strong demand for houses is partly being fuelled by the sharp rise in immigration amid already tight supply, driving a rebound in house prices in recent months.

The CoreLogic home value index, released earlier this morning, saw another sharp rise in home prices in June, with the national index climbing 1.1% following a 1.2% increase in May. Prices rose in all capital cities except for Hobart, with Sydney seeing a 1.7% increase while Perth prices rose 0.9%. The national index is up 3.4% from the trough in February.

Although prices are 6.0% below the April 2022 peak, the RBA has already indicated it is uncomfortable with the rebound in home prices which, along with the strong growth in new loans in May, could possibly see RBA deliberations tilt in favour of another rate hike tomorrow.

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