

## Economic Analysis

## Housing Finance April 2023

### Value of New Loans

The value of new home loans (excluding refinancing) fell a seasonally adjusted 2.9% in April, against market expectations of a 2.0% gain. This followed an upwardly adjusted increase of 5.3% in March (originally 4.0%).

The annual rate of decline eased further to 25.8% from 26.2% in March.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	-3.8	-24.3
Investor	-0.9	-28.6
Total	-2.9	-25.8

The April decline in new home loans was broad-based. Owner occupier loans fell 3.8%, with a 2.1% decline in first home buyer loans and a 4.4% fall for other owner occupiers.

New investor loans declined 0.9% in April.

### Number of New Loans to Owner Occupiers

The number of new home loans for construction fell 4.2% in April and loans for newly built houses dropped 1.7%. Loans for the purchase of established houses, which is by far the largest category, increased by 0.6%.

Following the April drop, the number of construction loans has reached a new record low (since 2005).

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	-4.2	-36.9
Newly Built	-1.7	-19.3
Established Houses	0.6	-17.7

### Average Loan Size, Loan Types and Refinancing

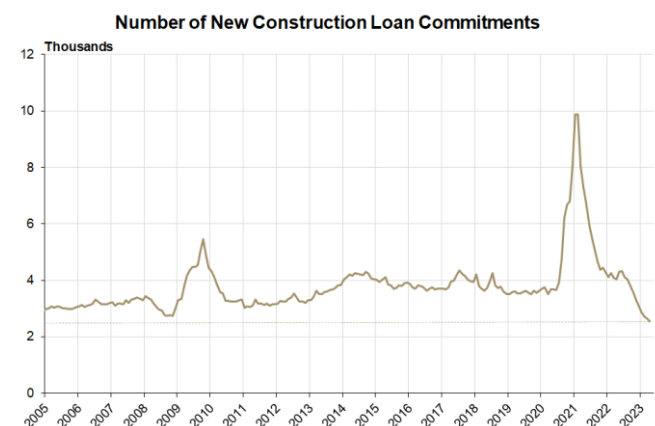
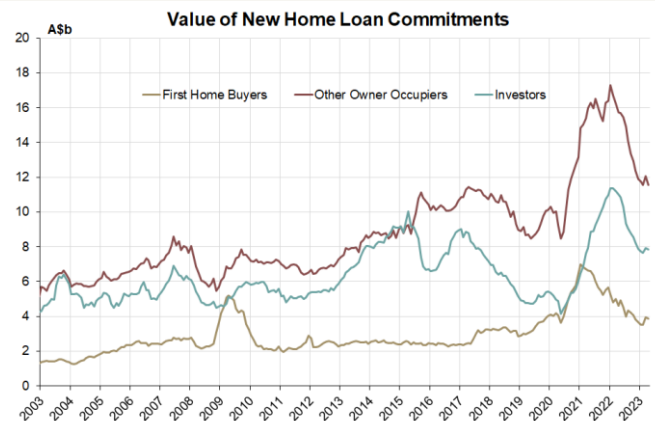
The average loan size to owner occupiers rose to A\$585k from A\$577k in March, with increases recorded in all mainland states but Western Australia. The average loan size in Western Australia declined to A\$469k from A\$476k in the previous month.

The value of loan refinancing to owner occupiers dropped 8.6% from a record high in March.

### States

New home loans fell across all states but South Australia. Western Australian new home loans to owner occupiers declined 1.0%, to be down 20.3% through the year.

New Home Loans Value, %	MoM	YoY
Western Australia	-1.0	-20.3
New South Wales	-5.1	-27.7
Victoria	-1.9	-28.6
Queensland	-1.8	-17.6
South Australia	0.0	-13.7
Tasmania	-0.1	-17.5



### Comment

The value of new home loans resumed their decline in April but remained high by historical standards. The home loan numbers are symbolic of the problems facing the housing market. The fall in construction loans to a series low highlights problems with supply, while the increase in loans for established houses highlights rising demand for the existing stock of housing driven by rapid population increase.

The resilience of the Aussie housing market, despite the historically steep monetary tightening delivered by the RBA over the past year, is being driven by this imbalance between supply and demand. According to CoreLogic data released yesterday, house price growth accelerated in May, with increases reported for all capital cities and most regions. The details of the report suggest demand could be concentrated in the high end of the market.

Following the upside surprise to the CPI indicator and house price growth, some commercial banks made a 25bps cash rate hike call for the RBA meeting next week. The probability of such a move implied from the cash rate futures has risen above 50%. However, on balance, we continue to expect no change, though acknowledge that the risk of a hike has certainly increased.

2 JUNE 2023

#### Disclaimer

Any opinions, judgments, conclusions, forecasts, predictions or estimations contained in this advice are made in reliance on information provided to Western Australian Treasury Corporation which Western Australian Treasury Corporation believes to be reliable. Western Australian Treasury Corporation, however, cannot guarantee the accuracy of that information. Thus, any recommendations are made in good faith but are provided only to assist you with any decisions which you make. These recommendations are not intended to be a substitute for professional advice on a particular matter. Before accepting or rejecting those recommendations you must discuss your particular needs and circumstances with Western Australian Treasury Corporation.