

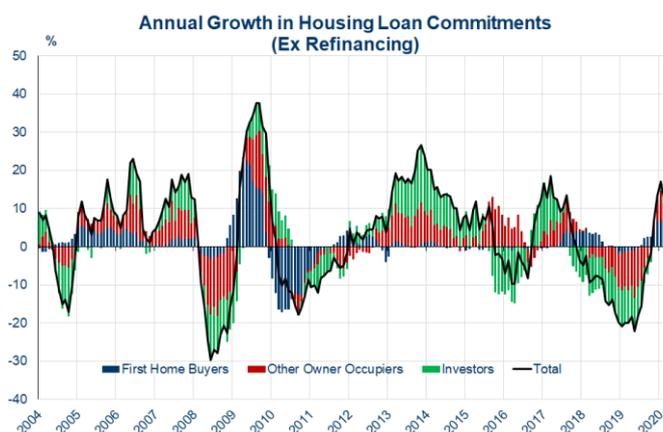
**Value of New Loans**

The value of new loan commitments for housing (excluding refinancing) declined in February by 1.7% MoM in seasonally adjusted terms. According to the ABS the numbers were not impacted by the COVID-19 epidemic.

The market participants expected that the rise in loan commitments had continued in February, at 2.5%. The January increase was also revised significantly downwards (to 1.3% MoM against 4.6% MoM previously).

Seasonally Adjusted Ex-Refinancing (%)	MoM	YoY
Owner Occupier	-1.7	15.8
Investor	-1.9	6.3
Total	-1.7	13.1

The weakness in loan commitments was across both owner occupier loans (-1.7%) and investor loans (-1.9%). First home buyer commitments, however, managed to pick up by 0.3%, though this was the softest reading in five months. The January investor loan figures were revised downwards, pointing to a flat reading instead of the previously reported gain of 3.6%.



Annual growth in housing loan commitments decelerated to 13.1% from 17.1% in January.

Looking through the temporary volatility, monthly trend growth eased to 0.4% from 1.0% in January. Taking into account the revisions for previous months and the recent figures, underlying growth in loan commitment value has been slowing down since October 2019.

**Number of New Loans**

The number of loan commitments by owner occupiers fell by 2.0%, the sharpest in a year, indicating that the setback in the housing loan value was due to lower demand.

The fall was led by newly built dwellings, with the loans for purchase of existing dwellings (the largest category) falling less decisively. This was partly offset by a rise in commitments for construction purposes.

Owner Occupier Ex-Refinancing (%)	MoM	YoY
Construction	1.9	-1.7
Newly Built	-8.9	29.0
Existing Dwellings	-1.3	-2.5

**States (excludes refinancing)**

The decline in the value of housing loan commitments was centred in the two most populous states, which had experienced the largest rebound in housing markets over past few months. A modest fall was also recorded for South Australia.

Owner Occupier Ex-Refinancing (%)	MoM	YoY
Western Australia	5.9	18.9
New South Wales	-8.7	14.5
Victoria	-3.8	19.9
Queensland	4.7	15.0
South Australia	-1.5	1.8
Tasmania	6.6	-0.2

Loan commitments rose in Queensland, Western Australia, and in Tasmania, where in spite of the increase the figures were still weaker than a year before.

**Comment**

The February housing finance report implies that the housing market conditions started to deteriorate even before the COVID-19 epidemic escalated. First home buyer demand remained solid. The coming months will see little interest in house purchases for all categories.

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