

Value of New Loans

The value of new home loan commitments (excluding refinancing) jumped a seasonally adjusted 12.6% in August, following an 8.8% rise in July. This was the largest increase on record (since 2002) and pushed the value of new loans to the highest level since January 2018.

Seasonally Adjusted Ex-Refinancing (%)	MoM	YoY
Owner Occupier	13.6	29.2
Investor	9.3	-4.6
Total	12.6	19.3

The rise was led by owner-occupiers with a 13.6% increase, which included an 18.4% jump in first home buyer loans. Investors recorded a third strong increase in a row with a 9.3% rise.

Number of New Loans

The number of new loan commitments jumped 10.8%, driven by a 22.9% rise in construction loans.

Owner Occupier Ex-Refinancing	MoM	YoY
Construction	22.9%	34.0%
Newly Built	7.0%	20.2%
Purchase Established House	9.0%	13.7%
Total	10.8%	17.0%

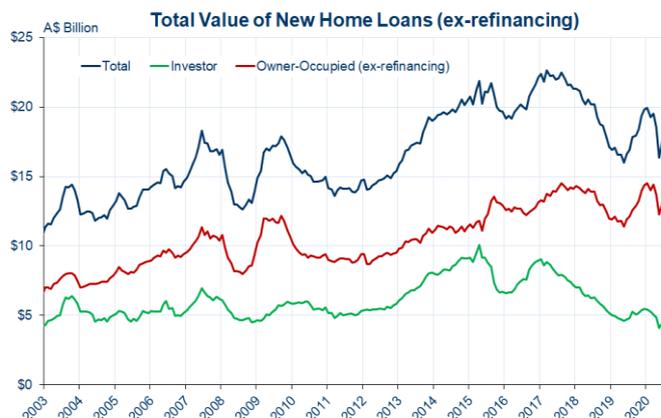
States

New loans to owner occupiers rose strongly across all states, with Western Australia recording a 20% increase in the value of new loans excluding refinancing. New investor loans were also up everywhere except Tasmania, with Western Australia leading the way with a 38.5% rise.

Owner-Occupier Ex-Refinancing	MoM	YoY
Western Australia	19.9%	33.7%
New South Wales	6.9%	28.6%
Victoria	15.1%	23.9%
Queensland	13.9%	34.3%
South Australia	13.4%	27.3%
Tasmania	36.6%	39.0%

Personal and Business

Personal fixed term loans slumped for the first time in four months, recording a 12.5% seasonally adjusted fall, driven by lower demand for motor vehicle loans. Business lending for construction fell 43% in the month to its lowest level since July 2013, though this series is particularly volatile.



Comment

The housing finance numbers in recent months are a clear indication that record low interest rates and the various state and federal government programs to support homebuilding, are having a big impact. There is no clearer evidence than the sharp rise in borrowing by first homebuyers which, in unadjusted terms, accounted for 34.2% of all owner-occupier loans in August.

How long this surge in new lending continues, remains to be seen, given the high degree of uncertainty going forward.

We currently expect the RBA to ease policy a little further at its November meeting. However, we wonder whether this news of another strong rise in new home loans will increase the debate on the merits of further rate cuts when the Board meets on Melbourne Cup day.

9 OCTOBER 2020

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.