

## Economic Analysis

### Value of New Loans

The value of new home loans (excluding refinancing) fell a seasonally adjusted 2.5% in October, the fourth decline in the past five months. However, the strength of the earlier increase means the value of new loans remains 32.2% higher than a year ago.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	-4.1	15.1
Investor	1.1	89.6
Total	-2.5	32.2

The decline in recent months has been driven by the pullback in owner-occupier loans, which fell a further 4.1% in October.

The value of new investor loans increased for the 12<sup>th</sup> month in a row and have taken over as the major driver of new home loan demand growth over the past six months to be up almost 90% from a year ago.

### Number of New Loans to Owner Occupiers

The number of new loans to owner occupiers dropped across all categories and points to a broad slowdown in the owner-occupier segment of the market. However, the number of new loans remain at historically high levels.

The number of owner-occupier first homebuyer loans fell 3.8%, the ninth monthly fall in a row to be down 16.0% from October 2020.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	-4.8	-33.2
Newly Built	-5.2	-7.1
Established Houses	-3.8	10.9

### States

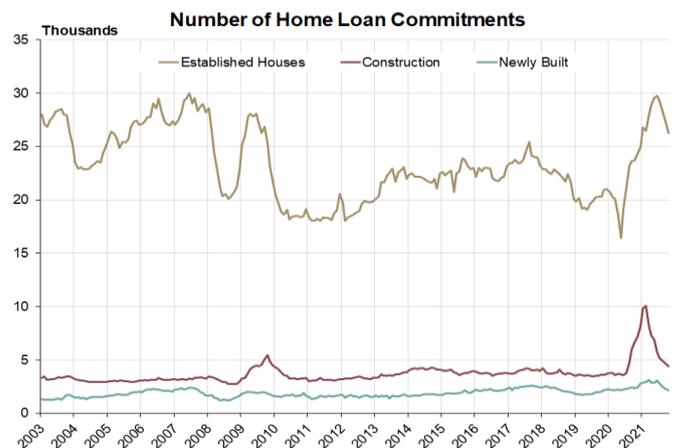
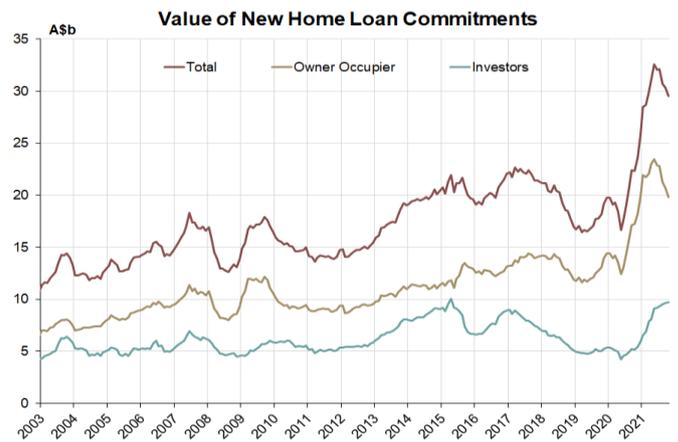
The value of new owner occupier home loans declined in most states during the month, with the biggest falls in recorded in New South Wales (-8.4%) and Western Australia (-7.4%).

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Western Australia	-7.4	-1.5
New South Wales	-8.4	11.4
Victoria	2.6	44.5
Queensland	-3.6	8.1
South Australia	-4.8	0.7
Tasmania	3.3	-9.8

Investor loans were up across almost all states, with South Australia (15.0%), Queensland (+8.9%), Western Australia (+4.4%), Tasmania (+3.3%) and New South Wales (+1.3%) seeing increases. Investor loans fell 3.8% in Victoria.

Loan growth on the east coast has no doubt been heavily impacted by COVID restrictions in recent months.

## Housing Finance October 2021



### Comment

The total value of new home loans (ex-refinancing) has slipped 9.2% from the record high in May. However, new loans remain at historically very high levels as homebuyers continued to take advantage of record low interest rates.

Although owner-occupier demand has cooled, due partly to the impact of east coast COVID restrictions, the high level of new borrowing continues to fuel rapid increases in house prices. The release of the CoreLogic home value index yesterday showed house prices rose 22.2% in the year to November.

With the value of new investor loans at near record highs and continuing to climb, the RBA and APRA are likely to become increasingly uneasy with the changing dynamic of the housing market. Should this be seen as becoming destabilising, it would come as no surprise to see a further tightening of macro-prudential rules, targeted at investors, at some point.

Looking further ahead, the sharp run up in new household financial commitments over the past year only adds to the precarious nature of the RBA's task in trying to raise interest rates when the time comes.

**2 DECEMBER 2021**

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