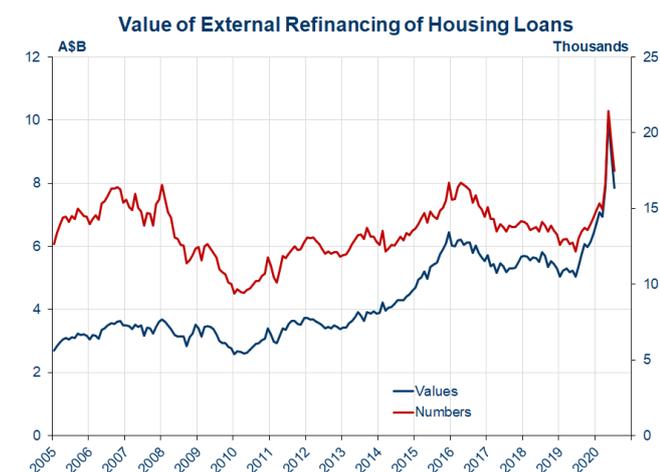
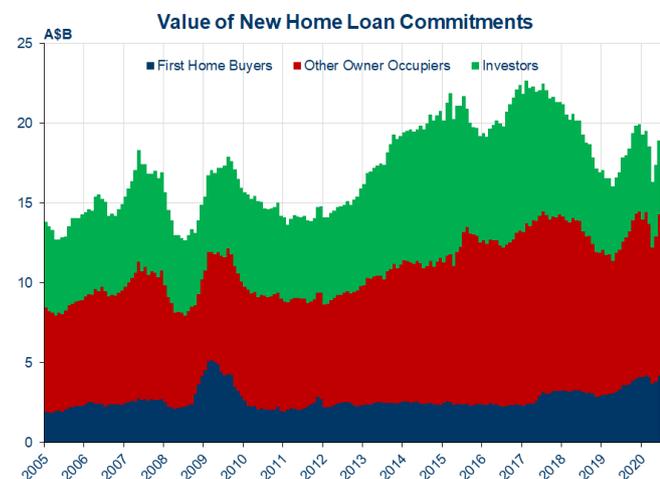


Value of New Loans

Growth in new loan commitments for housing (excluding refinancing) accelerated to a record 8.9% in July 2020 from 6.4% in the previous month. Market expectations were for a slowdown to 2.0%.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	10.7	18.5
Investor	3.5	-5.1
Total	8.9	11.8

According to the ABS, the acceleration in new home loan growth reflects the easing in social distancing restrictions in most Australian states. As the processing of loan application is time-consuming, the housing finance report is subject to some lags.



The July acceleration was led by owner-occupier housing (10.7% versus 5.9% in June). Loans rose by 10.6% for first home buyers and 10.7% for other owner-occupier housing, the fastest on record. Growth in investor loans decelerated to 3.5% from 8.3%.

External refinancing of housing loans declined somewhat, though remained elevated.

Number of New Loans

The growth in the number of new housing loan commitments was 9.7% in July, somewhat faster than a month before (7.7%). Loans for established houses continued to lead the recovery. Growth in construction loans turned positive after two months of consecutive declines.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	9.0	7.8
Newly Built	4.0	21.4
Established Houses	10.5	6.5

States

Housing loan commitments rose in all states, including Victoria. The ABS explain that this echoes the re-opening of the Garden State prior to the second wave of the pandemic.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Western Australia	17.1	16.8
New South Wales	12.1	26.1
Victoria	8.9	10.0
Queensland	11.3	23.3
South Australia	8.8	22.1
Tasmania	6.0	7.2

Western Australia saw the largest increase in housing loans in July, followed by New South Wales and Queensland.

Comment

Following the two months of solid increases, the housing loans are just 3.0% below the March levels, supported by record low interest rates, slightly lower house prices in most capital cities and, most importantly, the re-opening of the Australian economy in the previous months.

The resurgence of the pandemic in Victoria will very likely weigh on the upcoming reports, and will add to other dampeners, such as a low population growth and still adverse labour market conditions.

9 SEPTEMBER 2020

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