

Value of New Loans

The value of new home loans (excluding refinancing) rose a seasonally adjusted 1.7% in May, which followed a 2.8% drop in the previous month (revised from -6.4%). Market participants expected another 3.2% decline.

Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Owner Occupier	2.1	-9.7
Investor	0.9	23.7
Total	1.7	-0.4

According to the ABS, the 1.7% gain in May reflected clearing of processing backlogs from April, when Easter and ANZAC Day holidays reduced the number of loan applications.

The May increase in new home loans was broad-based across the buyer categories. Owner occupiers saw a 2.1% increase, with a 3.4% rise reported for first home buyers. Investment loans rose by 0.9% but were up 23.7% over the year.

The average loan size for owner occupier dwellings rose by another 0.7% in the month, to \$615k, led by increases in Victoria and Queensland. Other states, including Western Australia, saw small declines.

Number of New Loans to Owner Occupiers

The number of new loans to owner occupiers saw a broad-based 2.9% increase in the month, which was the first rise this year.

The largest gain was reported for construction loans, although they remained well off their peak. Due to their larger share, it was established houses that added most to the rise in the number of new owner-occupier loans.

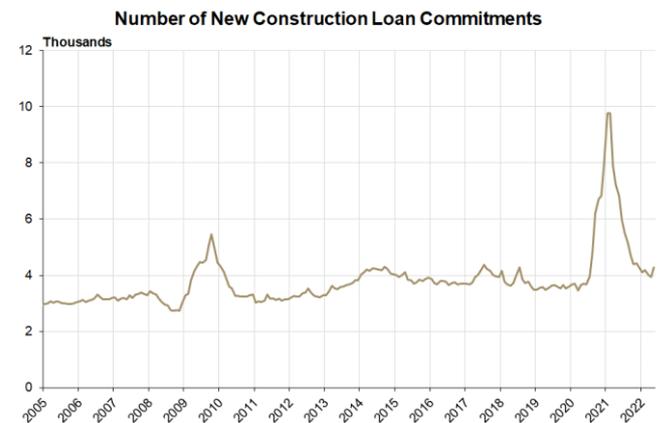
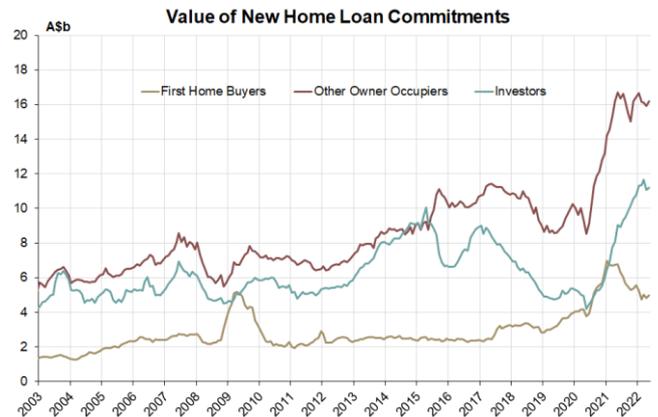
Seasonally Adjusted Ex Refinancing, %	MoM	YoY
Construction	8.8	-37.2
Newly Built	3.2	-28.4
Established Houses	2.0	-12.7

States

The value of new home loans to owner occupiers rose in all states but Western Australia. The largest increase was reported in Victoria, while New South Wales saw the smallest gain.

Despite the decline in the month, Western Australian new home loans are 72.4% higher than in December 2019, by far the most of all states.

New Home Loans Value, %	MoM	YoY
Western Australia	-3.3	-13.4
New South Wales	0.3	-13.9
Victoria	6.1	-7.8
Queensland	2.5	-4.2
South Australia	2.8	-3.9
Tasmania	1.1	-2.4



Comment

Home lending activity remained strong as the RBA began its monetary policy tightening. New home loans are just 2.6% off their record highs and almost double the series average. Despite the slightly weaker growth in May, the contribution of investment loans has been strong, which is reflected in the sharp increase over the year.

At the same time, the past two months have seen signs of softening in housing market activity, with house prices declining in May and June nationwide, led by Sydney and Melbourne. Mortgage rates have been rising and some commercial banks have sharply increased their fixed lending rates in recent weeks.

We should expect the continuation of this trend as monetary policy tightening continues. However, the price decreases may be constrained by tight supply, as builders struggle to complete the backlog of building work amid persisting supply and labour shortages.

We expect another 50bps hike in RBA rates tomorrow, which would take the cash rate to 1.35%, with further interest rate increases to come in the months ahead.

4 JULY 2022

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.