

2 November 2022

## Australian housing finance: big fall as rate hikes bite Owner-occ. -9.3%<sup>mth</sup>, -19.9%<sup>yr</sup>; Investors: -6%<sup>mth</sup>, -15.3%<sup>yr</sup> Total value approvals: -8.2%<sup>mth</sup>, -18.5%<sup>yr</sup> (all ex refi)

- Housing finance approvals fell sharply in Sep, an 8.2% drop in the total value of new loans outstripping expectations of a 2-3% decline. Approvals are now 26.2% below their peak at the start of the year but are still well above their pre-COVID levels and previous peaks in 2017.
- Recent updates on turnover and prices, available up to Oct, suggest nominal transaction activity stabilised somewhat in recent months, suggesting we may see finance approvals do the same. That said, the continued rise in interest rates suggests there will be no let-up to the correction phase for markets and finance activity.
- The detail shows owner occupiers led the Sep fall with a very steep 9.3% decline. Investor loans were down 6%, a more moderate result after outpacing owner occupier declines over the previous three months. Note that investor activity has been relatively subdued over the current cycle, declines mean investor finance approvals are now 7.5% below their 2017 peak whereas owner occupier loans are still 16% higher than in 2017.
- Within the owner occupier segment, loans for construction and for 'upgraders' showed bigger falls, down 12.4%<sup>mth</sup> and 10.1%<sup>mth</sup> respectively in value terms. The construction number is broadly in line with recent falls in dwelling approvals for detached houses and the HIA new home sales data, all of which are suggesting interest rate rises and a steep rise in building costs are starting to impact new building activity.
- The state detail continues to show a broad based decline. For the Sep month, the biggest falls in the total value of approvals were in WA (-12%) and Qld (-10.3%) with a slightly milder pace in Vic (-7.8%), NSW (-6.8%) and SA (-5.2%). That said, the biggest declines since the start of the year have been in the major eastern states where price corrections have been more pronounced, NSW down -31%, Qld down -25% and Vic down -24%.
- Other finance data provided in the release showed mixed results around personal finance and a weakening in SME loans. Total personal finance (fixed term loans only excluding revolving credit) were steady overall for Q3 vs Q2 but with a notable fall in vehicle finance (-7.3%<sup>qtr</sup>). The value of SME loans dropped 12.9%<sup>qtr</sup>, although it should be noted that this figure is not seasonally adjusted and has a short history making it difficult to tell how much of moves may be due to regular variations.
- Overall, while Sep fall in housing finance approvals was larger than expected, both the headline move and the detail was broadly in line with the wider picture of a market correction that has further to run.

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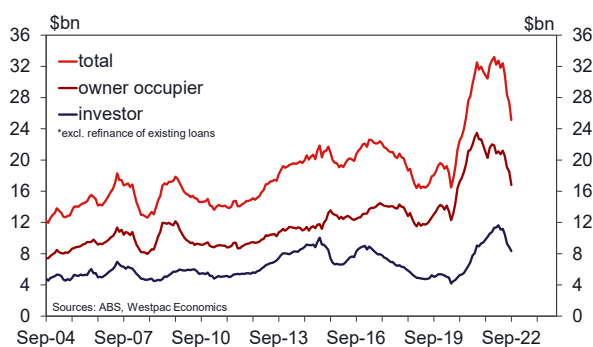
### Housing finance: September 2022

	latest	%chg mth		% chg yr	
		Aug	Sep	Aug	Sep
Owner-occupiers ('000s)	27.0	-0.4	-7.9	-19.2	-21.9
Owner-occupiers (\$bn)	16.8	-2.7	-9.3	-15.1	-19.9
Investors (\$bn)	8.3	-4.8	-6.0	-6.4	-15.3
<b>Total housing finance (\$bn)</b>	<b>25.1</b>	<b>-3.4</b>	<b>-8.2</b>	<b>-12.5</b>	<b>-18.5</b>
Refinance (\$bn)	17.3	5.3	-8.2	9.8	7.4
<b>Total incl. refinance (\$bn)</b>	<b>42.5</b>	<b>0.0</b>	<b>-8.2</b>	<b>-4.6</b>	<b>-9.6</b>

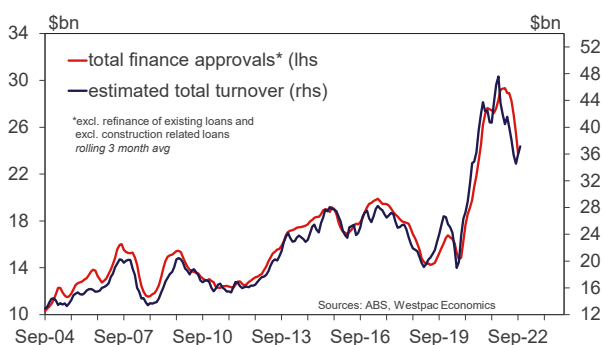
Other indicators <sup>^</sup>	avg <sup>^</sup>	Jul	Aug	Sep	Oct <sup>^</sup>
Auction clearance rate %	64.6	57.7	58.9	59.4	59.8

\* unless specified, all figures exclude refinance. Where specified, refinance is 'external' only, i.e. with a new lender; <sup>^</sup> seasonally adjusted by Westpac; avg is last 10yrs  
Sources: ABS, CoreLogic, APM, Westpac Economics

### New finance approvals by segment

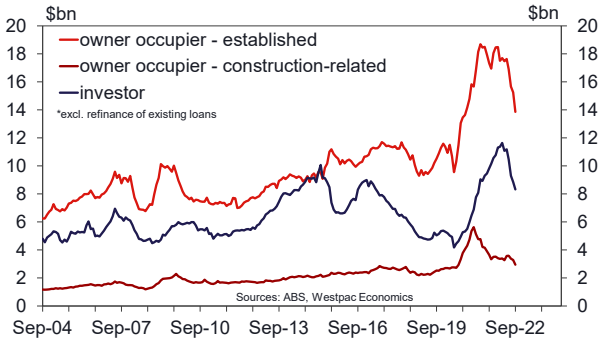


### New finance approvals vs value of sales

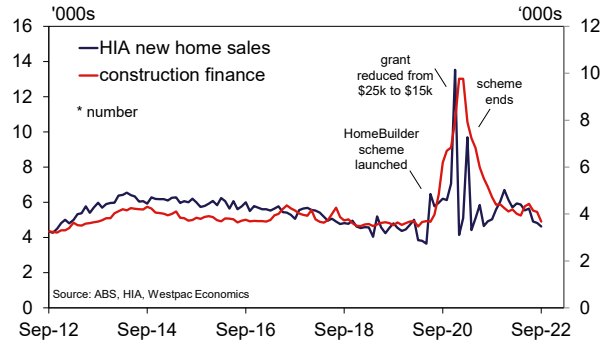


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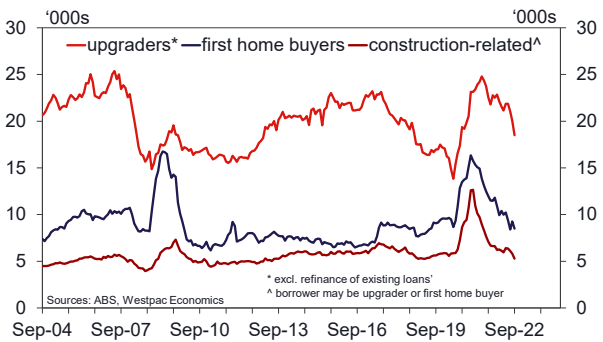
### New finance approvals by detailed segment



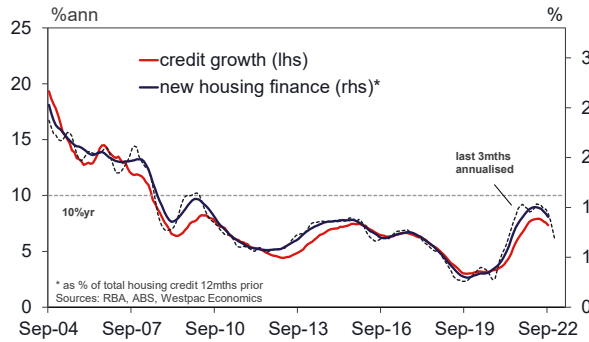
### HIA new home sales vs finance approvals



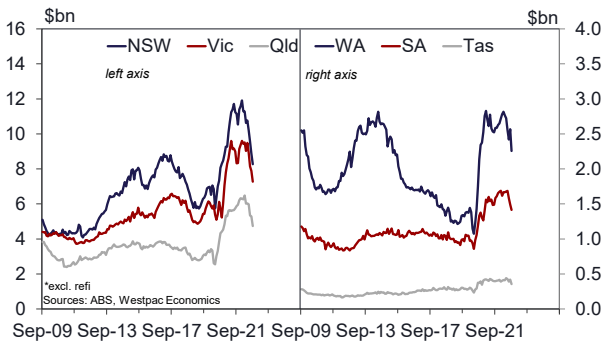
### Owner occupier finance approvals (number)



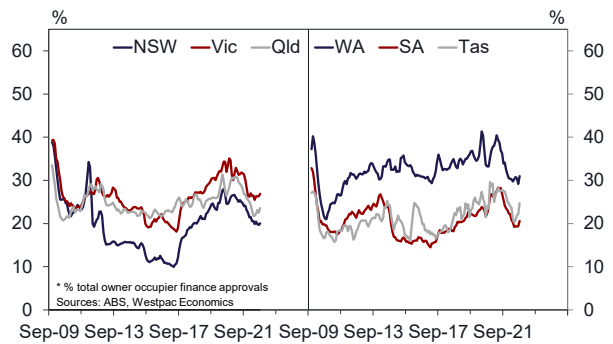
### Housing credit vs new finance approvals



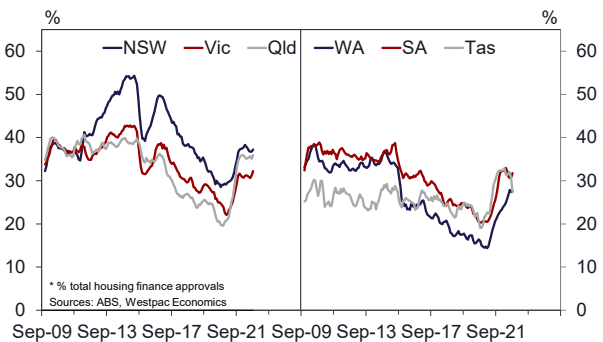
### Housing finance by state: total value



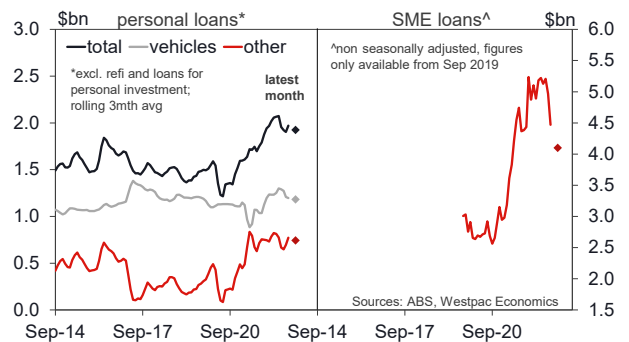
### First home buyers: by state



### Housing finance by state: investor share of loans



### Other lending: personal finance and SME loans



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