

2 December 2022

Australian housing finance: continued weakening Owner-occ. -2.9%¹month, -17.2%²yr; Investors: -2.2%¹month, -17.0%²yr Total value approvals: -2.7%¹month, -17.1%²yr (all ex refi)

- Housing finance approvals continued to move lower in October, the total value of new loans down 2.7%, a bit weaker than the consensus forecast for a 2.0% decline. Approvals are currently 22.3% below their January peak, but are still well above their pre-COVID levels and previous peaks in 2017.
- The November updates on turnover and prices continues to point towards some level of stabilisation in nominal transaction activity, suggesting that we may see this occur in finance approvals too. That being said, the correction phase for markets and finance activity is showing few signs of letting-up, especially with interest rates set to continue rising into 2023.
- As expected, the detail shows that the decline in owner occupier loans outstripped that of investors, the former posting a 2.9% decline, where the latter fell 2.2%. September's figures were also revised significantly, from what was initially estimated to be a sizeable 8.2% decline in total approvals (-9.3% owner-occupier; -6.0% investor) to a milder, but still significant weakening of -4.4% (-4.8% owner-occupier; -3.5% investor).
- Investor activity is still holding to relatively more subdued moves over this current cycle, the cumulative declines so far meaning investor finance approvals are now 4.2% below their 2017 peak. Whereas for owner-occupiers, the value of loan approvals are still 18.6% above their 2017 peak.
- The state detail continues to show a broad base to the weakening in the total value of approvals. Qld led the decline across the eastern states (-4.8%), while more mild declines were seen in NSW (-2.2%) and Vic (-1.8%). SA was roughly on par with the national average (-3.1%) while WA bucked the wider trend with a lift in owner-occupier approvals (+1.6%). Overall, the biggest declines since the start of the year continue to be centred on the major eastern states where price corrections have been more pronounced.
- Personal finance data also continued to show a weakening in October. After stalling almost flat in September, total personal finance (fixed term loans only excluding revolving credit) begun to inch lower in the month, down -0.5%, led by a further notable weakening in vehicle finance (-3.8%).
- Overall, the housing finance data remains in line with the broader picture of a deepening housing market correction. With interest rates set to continue rising into early-2023, pressure on the housing market will hold firm, implying the weakening in finance activity has further to run over the period ahead.

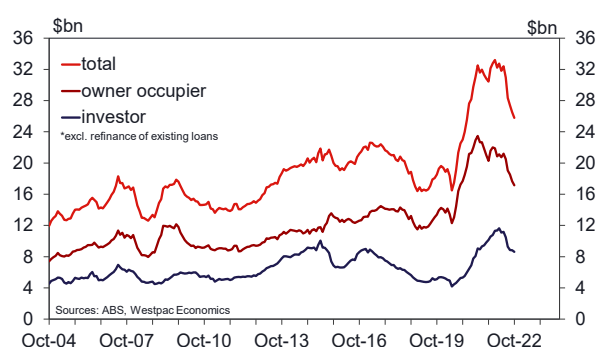
Ryan Wells, Economist

Housing finance: October 2022

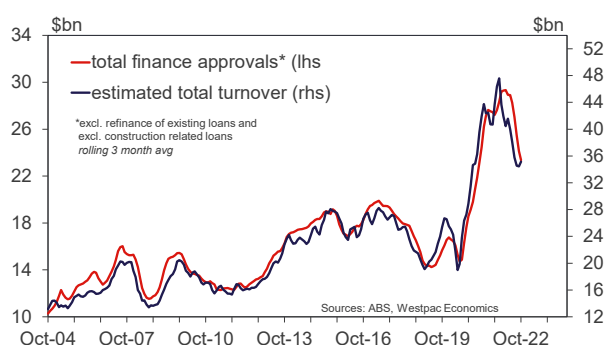
	latest	%chg mth		%chg yr	
		Sep	Oct	Sep	Oct
Owner-occupiers ('000s)	26.9	-3.8	-4.1	-18.9	-21.0
Owner-occupiers (\$bn)	17.2	-4.8	-2.9	-16.2	-17.2
Investors (\$bn)	8.6	-3.5	-2.2	-12.3	-17.0
Total housing finance (\$bn)	25.8	-4.4	-2.7	-15.0	-17.1
Refinance (\$bn)	17.8	-2.9	-1.1	11.6	9.7
Total incl. refinance (\$bn)	43.6	-3.8	-2.0	-5.9	-7.9
Other indicators[^]	avg[^]	Aug	Sep	Oct	Nov[^]
Auction clearance rate %	64.5	58.9	59.4	59.4	58.2

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

New finance approvals by segment

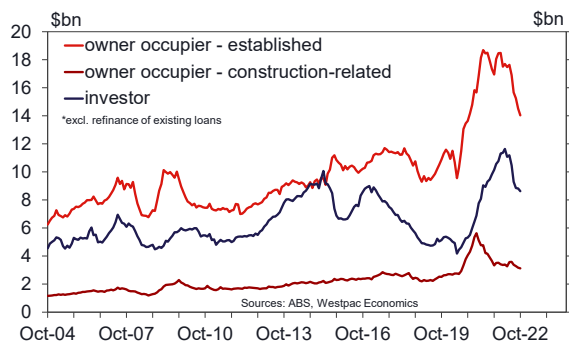


New finance approvals vs value of sales

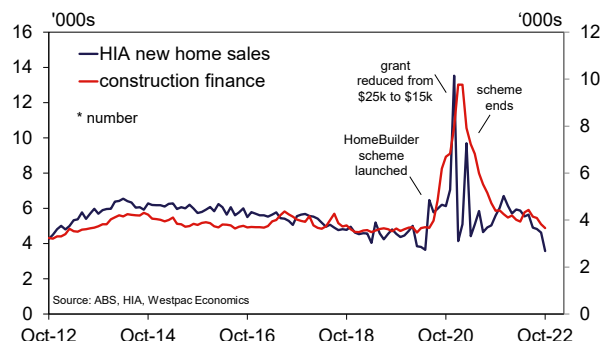


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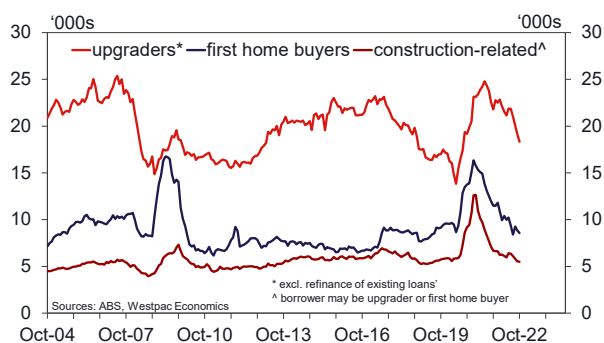
New finance approvals by detailed segment



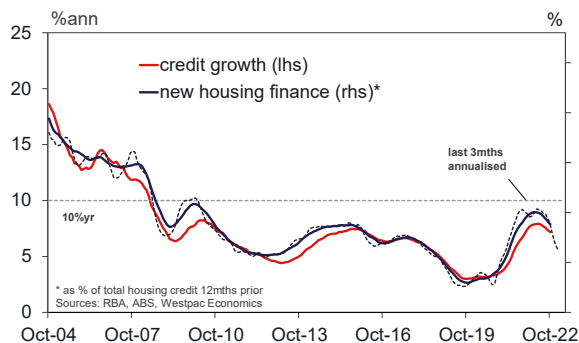
HIA new home sales vs finance approvals



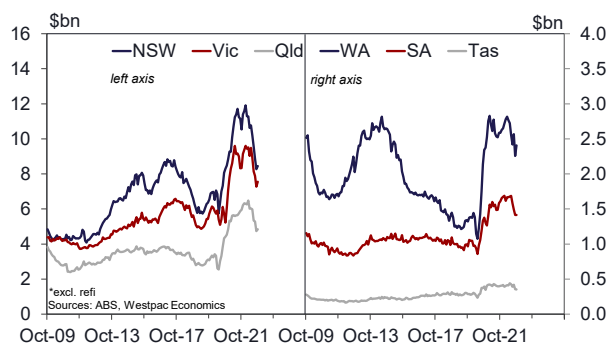
Owner occupier finance approvals (number)



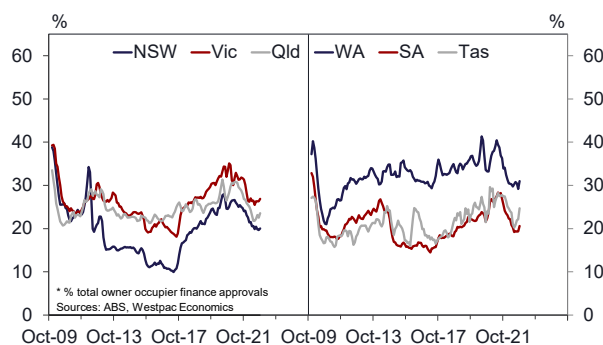
Housing credit vs new finance approvals



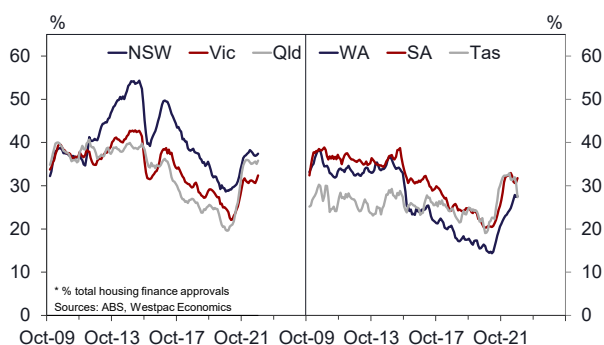
Housing finance by state: total value



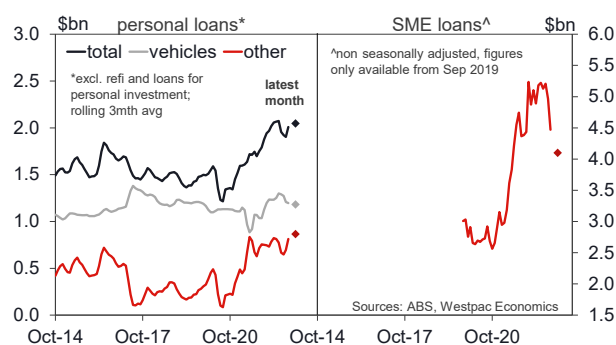
First home buyers: by state



Housing finance by state: investor share of loans



Other lending: personal finance and SME loans



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