

13 January 2023

Australian housing finance: downturn deepens

Owner-occ. -4.3%^{mth}, -24.3%^{yr}; Investors: -3.8%^{mth}, -22.6%^{yr}

Total value approvals: -4.1%^{mth}, -23.8%^{yr} (all ex refi)

- Housing finance approvals continued to move lower in Nov, the total value of new loans (ex re-finance) down a further 4.1% in the month. Approvals are now 24% below their Jan peak, although they remain well above their pre-COVID levels and previous peaks in 2017. The result was a touch softer than our expectations.
- The detail showed broad weakness with all major segments and states recording declines in the value of new finance. Refinance was a notable exception, approvals for external refi hitting an all-time high of \$19.5bn, up 9.3% in the month and 19.5%^{yr} – likely reflecting both borrowers seeking out better deals to cope with sharply higher interest rates and intense competition between lenders.
- The value of owner occupier loans fell 4.3%^{mth} to be down 24.3%^{yr}. The detail showed slightly bigger falls for construction loans (-7%), loans for the purchase of newly built dwellings (-5.5%), and loans to first homebuyers (-5.7%). Interestingly, additional data shows a much higher take-up of fixed rate loans amongst first homebuyers in recent years, accounting for 45% of the value of loans to the segment in 2020 and 2021, compared to 34% for non first homebuyers (covering both owner occupiers and investors). This implies recent first homebuyers have a higher exposure to 'reset shock' as loans roll off fixed rate periods.
- The value of new investor loans fell 3.8%^{mth} to be down 22.6%^{yr}, still tracking a slightly milder cycle.
- The state detail showed a slightly bigger decline in Vic (-5.5%^{mth}) and slightly milder falls in NSW (-2.9%^{mth}), Qld (-1.6%^{mth}), WA (-2.8%^{mth}) and SA (-2.4%^{mth}). Approvals are showing double-digit declines in all states, led by a 30% fall in NSW, 20-25% declines in Vic and Qld and somewhat milder falls in SA (-17%) and WA (-12%).
- Overall, the housing finance data remains in line with the broader picture of a deepening and broadening housing market correction. There is little let-up in sight with other updates showing the housing market correction remains firmly entrenched and the RBA expected to continue ratcheting rates higher in early 2023. In terms of the stock of housing credit, the new lending data suggests the slowdown in credit growth from a peak of 7.9% in mid-2022 to 6.9% in Nov will extend to the low 4s by mid-2023.

Matthew Hassan, Senior Economist

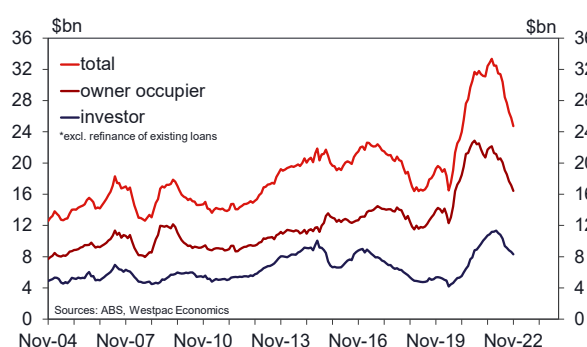
Housing finance: November 2022

	latest	%chg mth		% chg yr	
		Oct	Nov	Oct	Nov
Owner-occupiers ('000s)	25.9	-4.1	-3.6	-21.0	-24.0
Owner-occupiers (\$bn)	16.4	-2.9	-4.3	-17.2	-24.3
Investors (\$bn)	8.3	-2.2	-3.8	-17.0	-22.6
Total housing finance (\$bn)	24.7	-2.7	-4.1	-17.1	-23.8
Refinance (\$bn)	19.5	-1.1	9.3	9.7	19.5
Total incl. refinance (\$bn)	44.2	-2.0	1.4	-7.9	-9.3

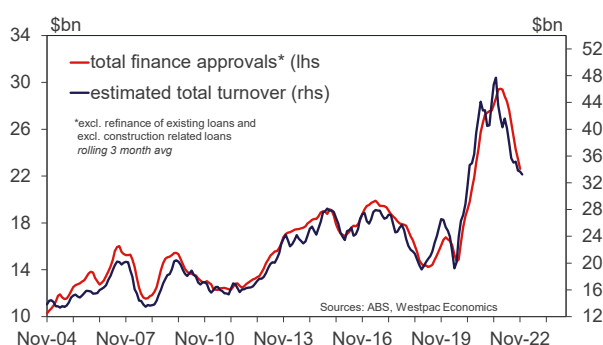
Other indicators [^]	avg [^]	Sep	Oct	Nov	Dec
Auction clearance rate %	64.5	59.4	59.3	58.1	57.7

* 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

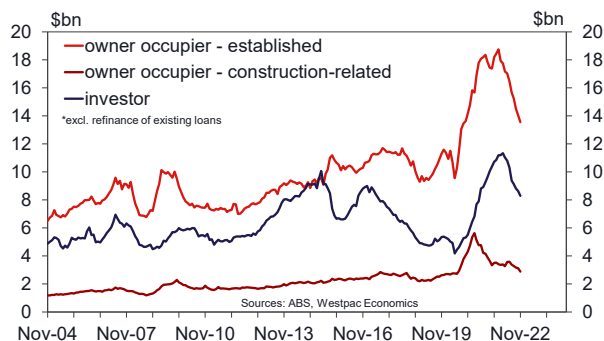


New finance approvals vs value of sales

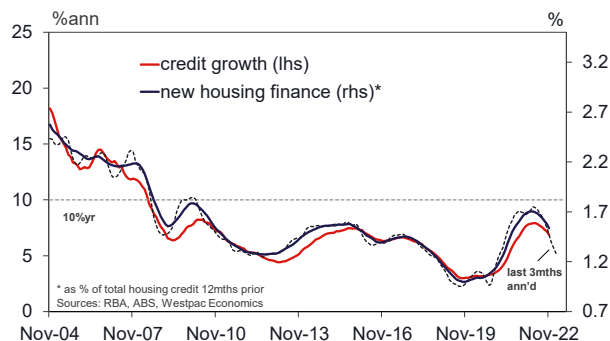


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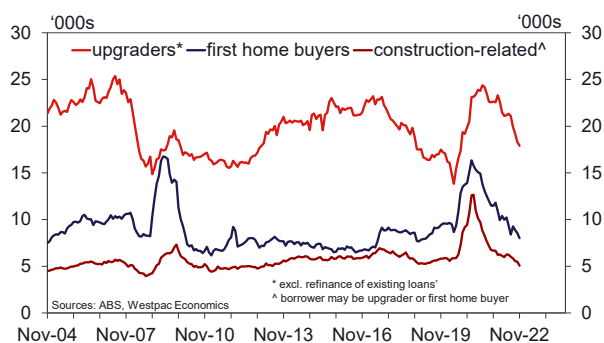
New finance approvals by detailed segment



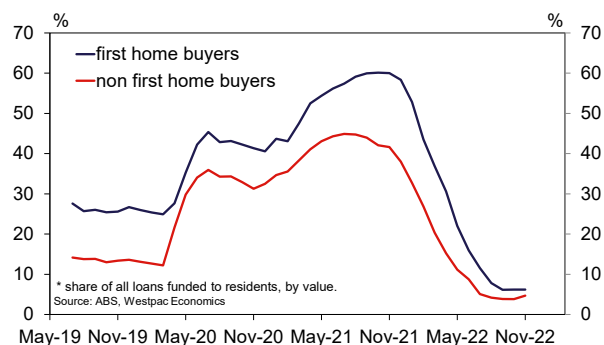
Housing credit vs new finance approvals



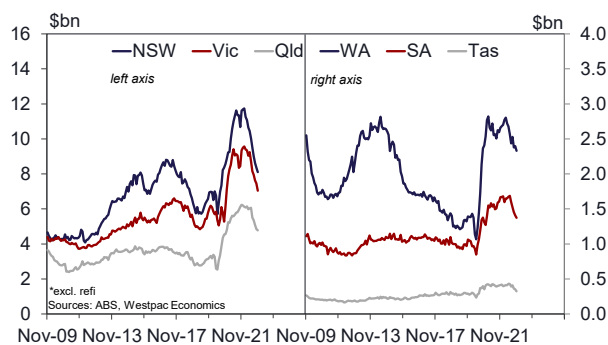
Owner occupier finance approvals (number)



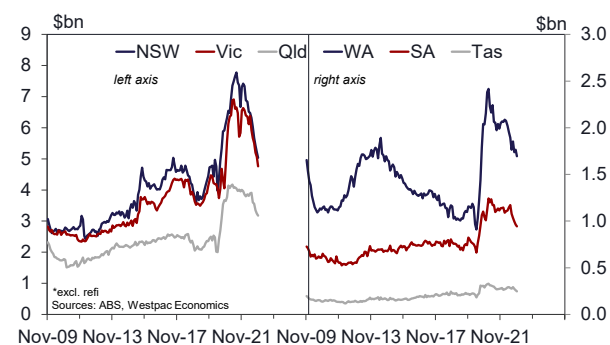
Housing finance: share of fixed loans



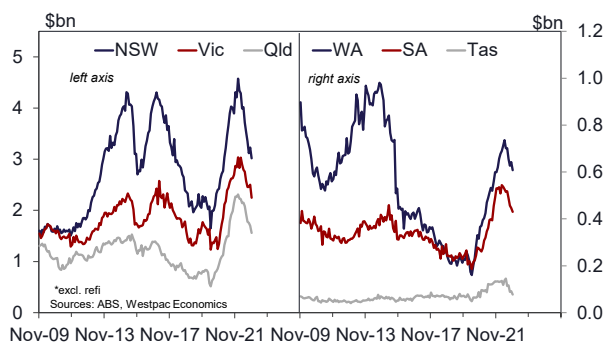
Housing finance by state: total value



Housing finance by state: owner occupier



Housing finance by state: investor



Refinance approvals by segment



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