

3 July 2023

Australian housing finance: solid up-tick Total value approvals (ex refi): +4.8%^{mth}, -20.5%^{yr} Broad-based monthly gain but from a weak starting point.

- Housing finance approvals posted a solid 4.8% rise in May, more than reversing April's 1% decline (revised up from -2.9%). The result came in slightly ahead of Westpac's expectations of a 4% gain decline in Apr. More broadly, gains since the low in Feb are consistent with the price-led recovery being seen in established markets and, more recently, signs of an up-tick in new construction, albeit with all housing metrics coming from a weak starting point.
- The detail shows rises across all borrower segments borrowers and states, the monthly profile again suggesting that some of the softness in Apr may have been due to Easter-timing effects.
- The total value of owner occupier loans ex refi rose 4.0%^{mth}, the number of loans up 5.1%^{mth}. Within this, the value of construction-related loans and loans for the purchase of existing dwellings showed similar gains, up 4.3%^{mth} and 4.2%^{mth} respectively. By buyer-type, the total value of loans to first home buyers surged 5.5%^{mth}, the value of loans to upgraders lagging a little, up 3.5%^{mth}. Refi lending also bounced strongly, an 8.1% jump reversing most of Apr's 8.5% drop.
- The total value of loans to investors posted a strong 6.2% rise in Apr, the strongest monthly rise in just over two years but still leaving the value of loans down over 20%^{yr}.
- The state detail showed a particularly strong rise in NSW (+9.4%^{mth}), with the value of loans to upgraders ex refi up 10.7%^{mth} but all segments recording strong gains. Total loan values also posted robust gains in Vic (+6.3%^{mth}) and SA (+5.8%^{mth}) but showed more muted rises in Qld (+2.8%^{mth}) and WA (+2.9%^{mth}).
- On investor loans, monthly gains were particularly strong for SA (+17.5%^{mth}), with lending also outperforming in NSW (+8.5%^{mth}) and Vic (+9%^{mth}), but more subdued in Qld (+4.5%^{mth}) and soft in WA (-0.9%^{mth}).
- Overall, the May gain confirms the recovery evident in other housing data in recent months. In terms of total housing credit, the (gross) new finance suggests annual credit growth will bottom out at around 4.5%^{yr} in coming months, bearing in mind that this will also be affected by shifts in repayment behaviour.
- The key question continues to be around the extent to which the upturn can be sustained given high interest rates, the further increase in rates in recent months and prospect of additional RBA moves. With price gains also coming off low volumes, the recovery still looks susceptible to stalling, especially if higher rates trigger a rethink in terms of price expectations and/or we start to see a lift in 'on-market' supply (for more discussion on dwelling prices and turnover, see our [bulletin](#) released earlier today).

Matthew Hassan, Senior Economist

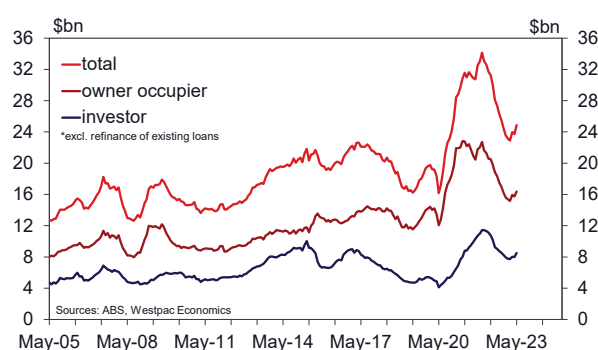
Housing finance: May 2023

		%chg mth		% chg yr	
	latest	Apr	May	Apr	May
Owner-occupiers ('000s)	26.3	0.5	5.1	-19.9	-16.2
Owner-occupiers (\$bn)	16.4	-1.4	4.0	-23.5	-20.2
Investors (\$bn)	8.5	-0.2	6.2	-28.1	-20.9
Total housing finance (\$bn)	24.9	-1.0	4.8	-25.1	-20.5
Refinance (\$bn)	21.0	-8.5	8.1	14.8	22.5
Total incl. refinance (\$bn)	45.8	-4.5	6.3	-11.2	-5.3

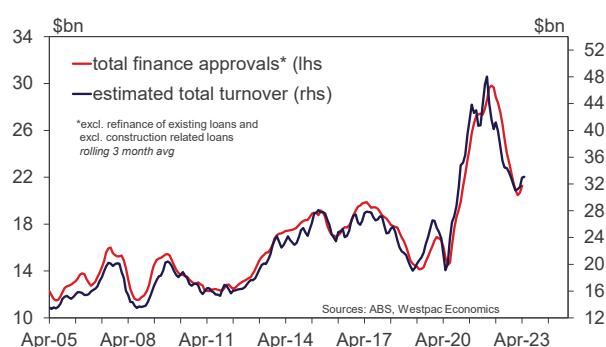
Other indicators [^]	avg [^]	Mar	Apr	May	Jun
Auction clearance rate %	64.4	62.3	65.0	66.1	67.2

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

New finance approvals by segment

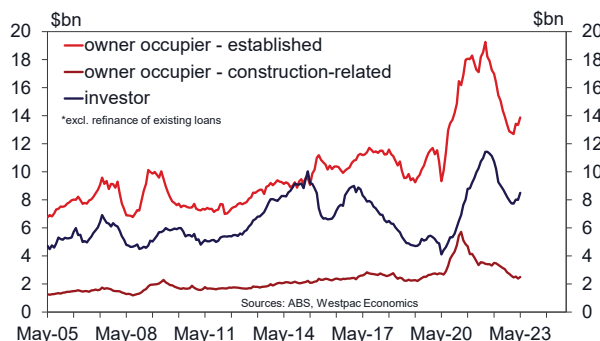


New finance approvals vs value of sales

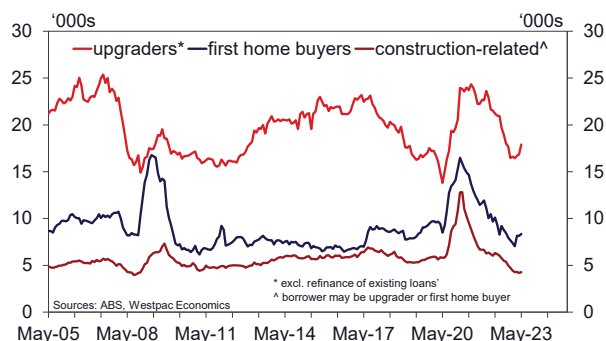


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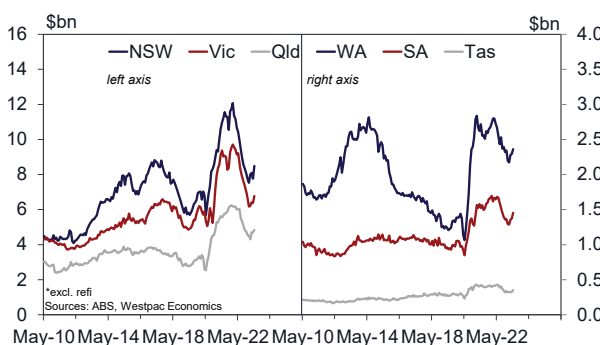
New finance approvals by detailed segment



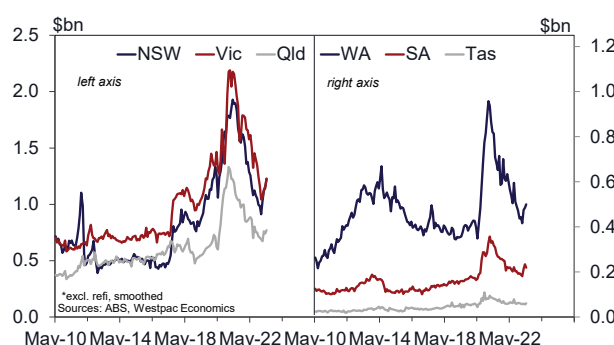
Owner occupier finance approvals (number)



Housing finance by state: total value



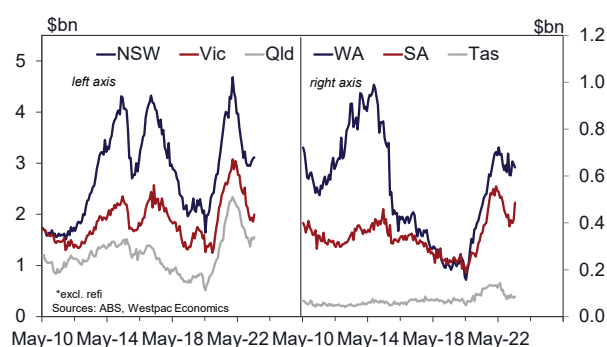
First home buyers: by state



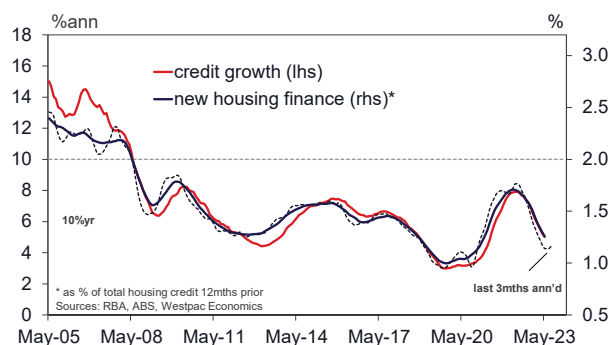
Housing finance by state: investor



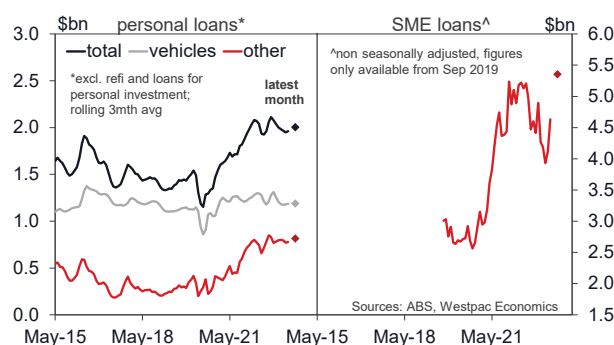
Housing finance by state: investor



Housing credit vs new finance approvals



Other lending: personal finance and SME loans



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