



Economics | March 1, 2022

Record home loans; record mortgages

Balance of Payments; Government finance; Lending

- New home loans rose by 2.6 per cent in January to a record high of \$33.2 billion. The value of owner-occupier loans lifted by 1.0 per cent with investor loans up by 6.1 per cent.
- The average new Australian mortgage on an established home hit a record \$635,600 in January.
- The current account surplus fell by \$9.3 billion to \$12.7 billion (2.3 per cent of GDP) in the December quarter.
- The export sector (exports and imports) will shave 0.2 percentage points (pp) from economic growth (GDP) in the December quarter. The public sector will trim 0.1pp from GDP.
- Commonwealth Bank Group economists now expect the economy to have expanded by 3.7 per cent in the December quarter and by 4.3 per cent over the year. The data is published tomorrow.

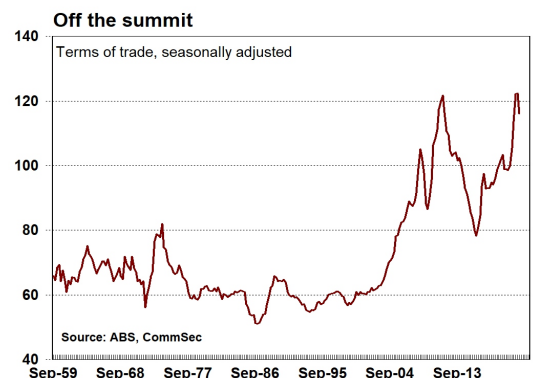
What does it mean?

- The threat of higher interest rates isn't holding back new borrowers. The value of all home loans rose by 2.6 per cent in January to record highs. And investors are especially active – loans rose by 6.1 per cent in the month to be up almost 70 per cent on the year.
- The average new mortgage on an owner-occupier established home continues to grow at a double-digit annual rate – the seventh straight month of double-digit gains. Rising debt levels will be tested later in 2022 when rates start to rise.

What do you need to know?

Balance of Payments – December quarter

- The current account surplus fell by \$9.3 billion to \$12.7 billion in the quarter.
- Exports of goods and services fell by 1.5 per cent in real terms in the quarter (goods down 1.1 per cent) with imports down 0.9 per cent (goods down 0.4 per cent). Net exports are expected to trim 0.2 percentage points from GDP in the December quarter.
- The ABS noted: *"The decrease in the Current Account surplus was driven by weaker exports of non-rural goods, while imports of intermediate goods rose. Exports of metal ores and minerals fell 28 per cent as key import markets cut production. Offsetting this fall was an increase in exports of coal (39 per cent) and other mineral fuels (25 per cent) and cereals and grains (30 per cent). Imports of fuels and lubricants rose 16 per cent, coinciding with easing travel restrictions and an increase in domestic travel. Supply chain disruptions, shipping constraints and a sharp increase in freight costs continued to impact trade this quarter."*



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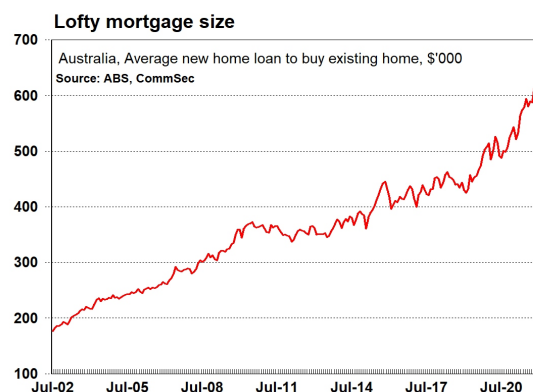
- The terms of trade on goods and services for the December quarter fell 5.1 per cent from record highs to 116.1, with an increase of 0.2 per cent in export prices falling well short of a 5.2 per cent increase in import prices.
- Australia's net foreign debt fell by \$2.9 billion to \$1,204.9 billion.
- The debt servicing ratio (net income on foreign debt, ratio to goods and services) rose from a 44-year low of 2.5 per cent to 3.2 per cent in the December quarter.

Government Finances – December quarter

- General government final consumption expenditure rose by 0.1 per cent in the December quarter and is expected to add little to GDP.
- Total public gross fixed capital formation fell by 2.0 per cent in the December quarter.
- Overall, total public sector demand fell by 0.3 per cent in the quarter and will trim 0.1 percentage point from the quarterly change in GDP.

Lending Indicators – January

- All the top-level indicators are in the accompanying table.
- The **value of new home loans** rose by 2.6 per cent in January. Loans are up 18.2 per cent on a year ago.
- **Owner-occupier loans** lifted 1.0 per cent in January (third straight gain) to be up 3.4 per cent on a year ago.
- **Investor loans** rose by 6.1 per cent in January (15th straight gain) to be up 67.8 per cent on a year ago.
- **Personal fixed loans** rose by 0.8 per cent in January to be up 21.6 per cent on a year ago.
- **Business construction loans** rose 41.6 per cent in January to be up 192.3 per cent on a year ago
- **Owner-occupier loans rose in five states and territories in January.** Loans increased in NSW (up 3.3 per cent), Victoria (up 3.2 per cent), Queensland (down 2.4 per cent), South Australia (up 3.6 per cent), Western Australia (down 1.4 per cent), Tasmania (down 5.3 per cent), Northern Territory (up 11.2 per cent) and the ACT (up 33.5 per cent).
- **The value of renovation loans** fell by 12.9 per cent in January. But the value of lending for renovations is up by a massive 54.1 per cent on a year ago.
- The **value of first-home buyer loans** fell by 5.0 per cent in January to be down 23.8 per cent on the year.
- The **value of the average loan size** for an existing owner-occupier dwelling rose 2.4 per cent in January to a record \$635,600 and was up 17 per cent on the year. Average loan sizes reached new highs in all states and territories except Queensland, Tasmania and Northern Territory.



**VALUE OF ALL HOME LOANS
January 2022**

	month%	annual%
All home loans	2.6	18.2
Owner-occupier	1.0	3.4
Investor	6.1	67.8
First Home Buyers	-5.0	-23.8

Source: ABS, CommSec

**OWNER-OCCUPIER HOME LOANS
January 2022**

	month%	annual%
Number		
Construction	-4.8	-55.6
Purchase of newly erected	-8.0	-22.2
Purchase of existing dwellings	1.8	5.5
Refinancing	-10.9	9.9
Value		
Construction	-3.6	-45.8
Purchase of newly erected	0.3	-5.7
Purchase of existing dwellings	2.3	20.0
Alterations & Additions	-12.9	54.1
Refinancing	-9.9	19.4
State value		
NSW	3.3	15.8
Victoria	3.2	8.7
Queensland	-2.4	-5.6
South Australia	3.6	5.3
Western Australia	-1.4	-11.9
Tasmania	-5.3	-17.1
Northern Territory	11.2	3.1
ACT	33.5	12.3

Source: ABS, CommSec

Average Mortgage Size

Existing dwelling, Owner-occupier January 2022

	\$'000	Annual %
Australia	635.6	17.0
NSW	831.3	18.4
Victoria	675.7	23.1
Queensland	513.7	15.8
South Australia	455.0	11.6
Western Australia	472.8	2.4
Tasmania	421.7	19.8
Northern Territory	404.3	20.7
ACT	671.9	12.1

Source: ABS, CommSec

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