Monthly Residential Mortgages Health Check – March 2024 (January 2024 data, unless otherwise stated)

There are emerging signs of slowing growth in housing credit. Asset quality remained benign, but key metrics continue to gradually deteriorate.

New lending:

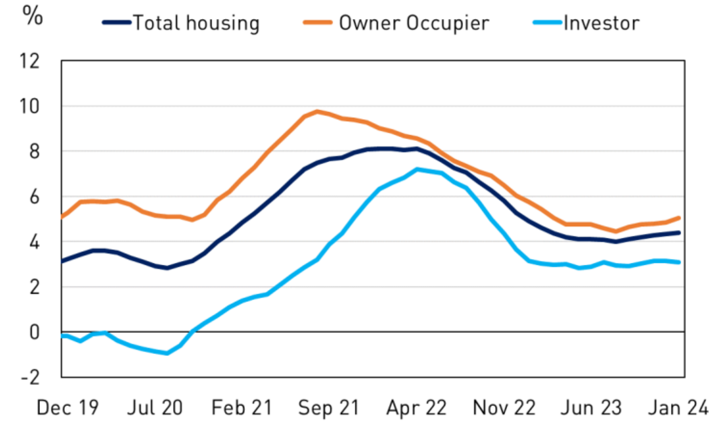
- **New lending commitments declined, pointing to potential slowing in credit growth**. Owner-occupier commitments drove the decline, with their share of new commitments reaching a six-year low. This decline reflects a reduction in the number of loans, the average loan size increased 3 per cent over the year. However, the overall volume of new loan commitments remained above pre-pandemic levels. First home buyer's share of new lending commitments was also broadly stable.
- **High LVR lending ticked-up** after three-years of decline. The increase is driven by falling volumes in external refinancing, which typically carry lower LVRs (further analysis here). Overall high LVR lending remains well below pre-COVID levels and would need to continue to increase for some time to be a prudential concern.
- **Signs of competition were mixed** with external refinancing activity continuing its decline as banks withdrew cash back offers to protect margins. The margin for new lending to the cash rate was stable, and non-ADIs continued to gain market share.

Existing lending:

- **Arrears and non-performing loans continued to increase, albeit gradually.** Owner-occupier NPL ratios are approaching pre-COVID levels but remain benign. Early-stage arrears increased to the highest level since July 2020. A significant proportion of loans in early arrears appear to be curing, given that the rate of increase in later stage arrears is marginal. Total prepayment buffers continue to grow, but this is not consistent across the overall borrower population.

Housing Credit Growth

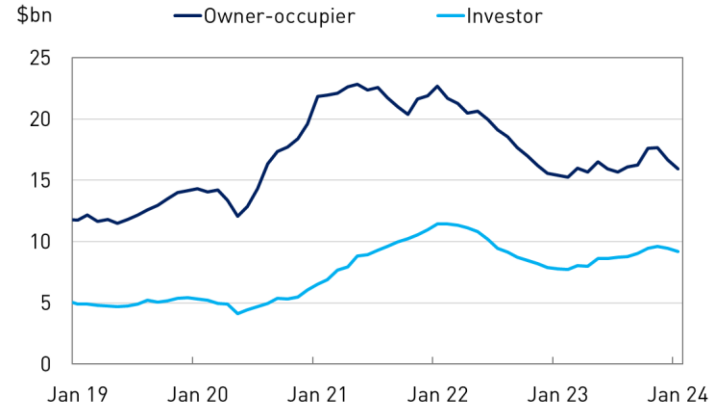
6-Month annualised growth



Seasonally adjusted. ADIs and Non-ADI Lenders
Source: RBA

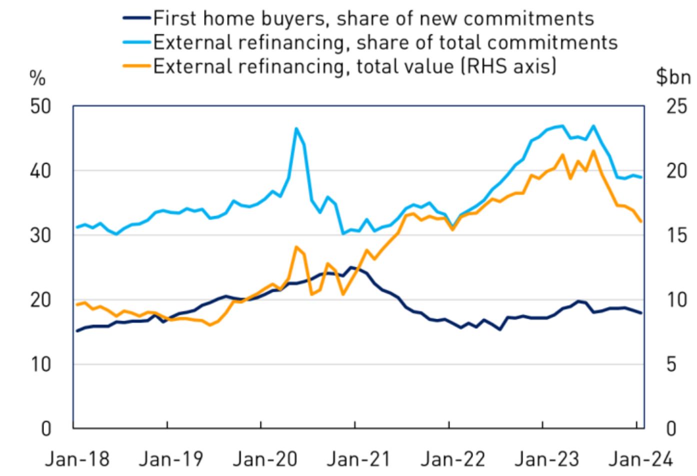
New Loan Commitments

Total housing excluding refinancing



Seasonally adjusted. ADIs and Non-ADI Lenders
Source: ABS

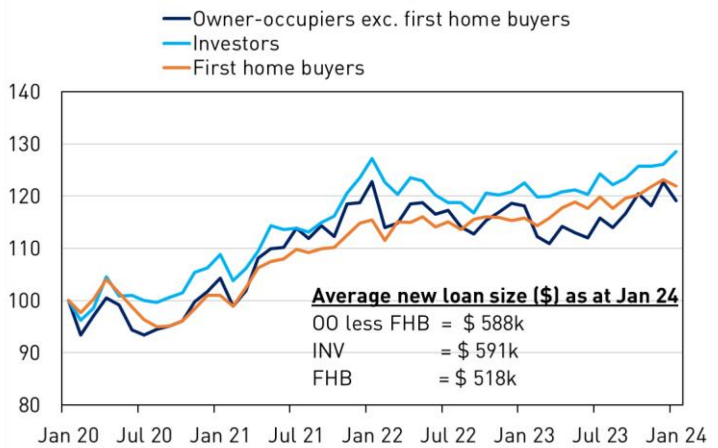
New Loan Commitments



Seasonally adjusted. ADIs and Non-ADI Lenders
Source: ABS

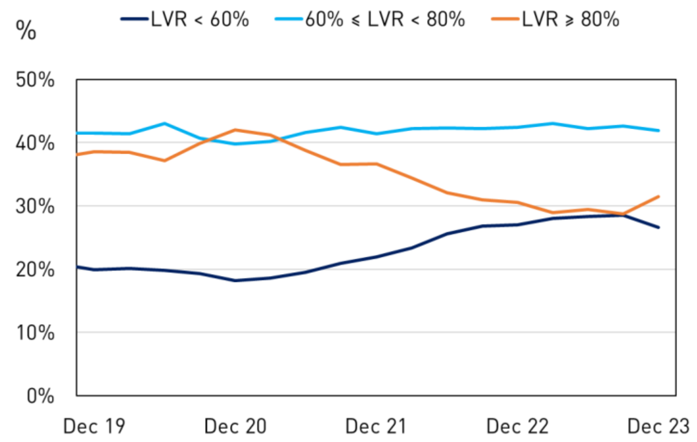
Index: average new commitment size

exc. external refinancing, Jan 2020 = 100



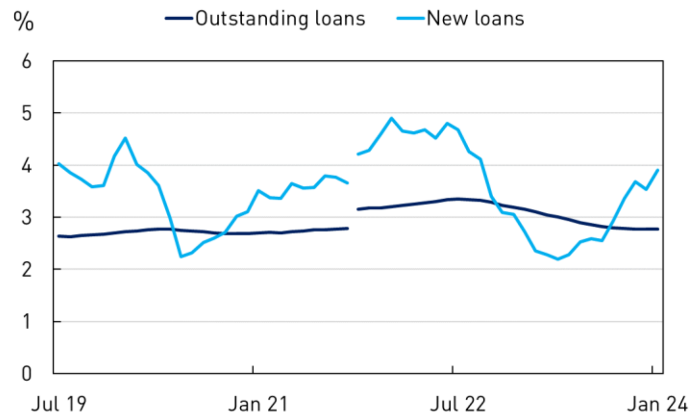
ADIs and Non-ADI Lenders.
Source: ABS.

New lending by LVR



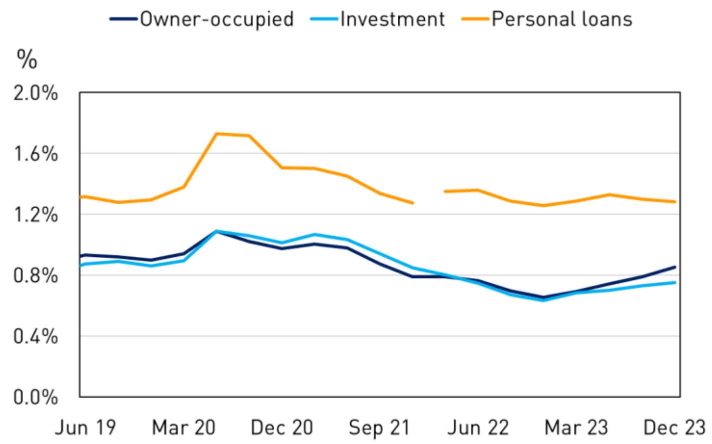
ADIs
Source: ARF 223.0

Non-ADI market share of mortgages



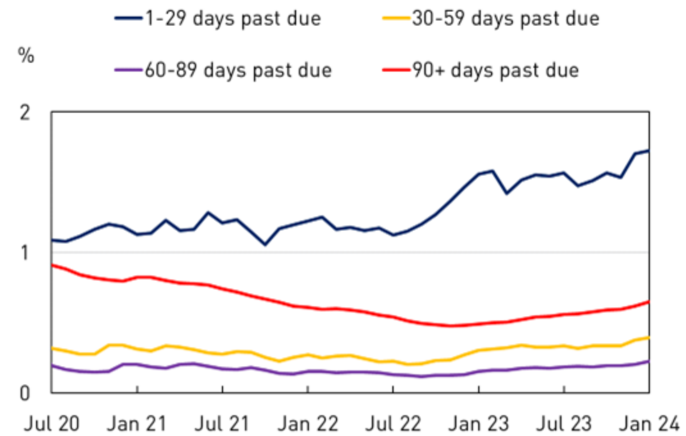
Source: ARF744, sereis break due to a reporting population change

Non-performing loans



Source: ARF 223.0, ARF 720_1A
ADIs
Note: Personal loans series break is due to definitional change

Residential Mortgage Arrears



Source: ARF 923_0
ADIs and Best Endeavour Collection