Monthly Retail Credit Update – May 2024 (March 2024 data, unless otherwise stated)

New lending

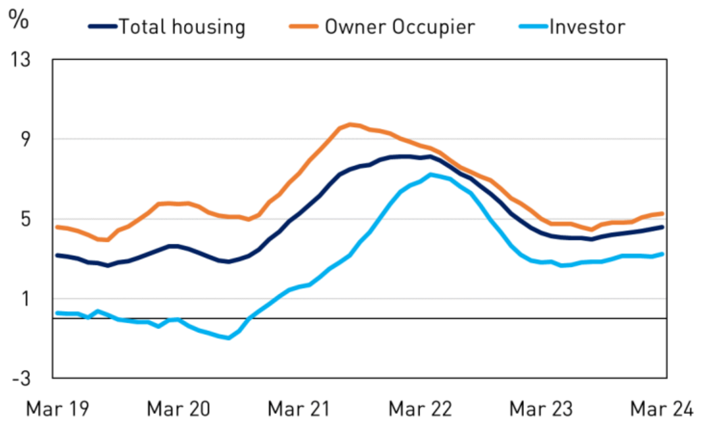
- **Housing credit growth remained stable,** despite higher interest rates and increasing pressure on ADIs' margins. The quality of lending is also strong, with LVR and DTI ratios near historic lows.
- **Growth in new investor commitments is outpacing owner-occupiers, with the share of investor commitments continuing to rise**; however, the share remains close to historical-average levels. Rising rental yields are likely to be supporting increased investment activity, and banks continue to target investors, reducing the spread they pay above owner-occupiers.
- **FHB activity remains above long-term trends.** While FHB activity has moderated, this is from inflated levels in 2020 when interest rates were at a record low. Affordability is an increasing challenge, and the Commonwealth Home Guarantee Scheme (HGS) is currently supporting one in three FHBs. This is in addition to other state and federal government schemes and initiatives, such as shared equity schemes, state duty concessions and FHB grants. Additional analysis on FHB trends is available here.

Existing lending

- **Asset quality deteriorated at a faster pace over the March quarter.** The housing NPL ratio has surpassed pre-COVID levels, with the increase more prominent in owner-occupied and high LVR portfolios. Despite this, some banks reduced their provisioning coverage, as their view of the depth of the economic downturn is less pessimistic. In addition, hardship applications have continued to increase and some banks are monitoring hardship as a percentage of arrears.
- **These repayment pressures are not felt uniformly across all borrowers.** Mortgage prepayment buffers as a share of loans outstanding continue to grow, albeit marginally.

Housing Credit Growth

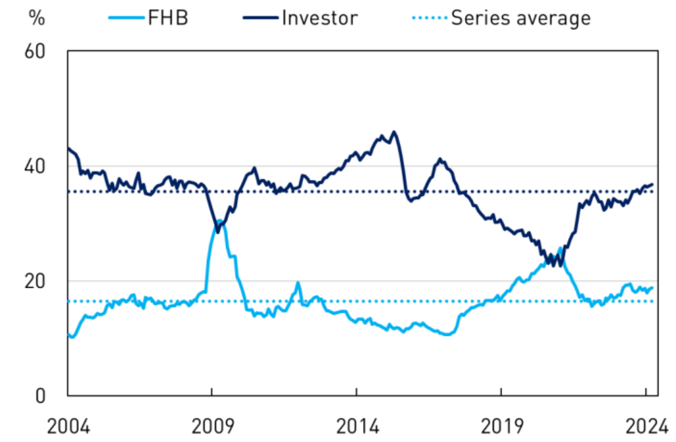
6-Month annualised growth



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

Share of new commitments

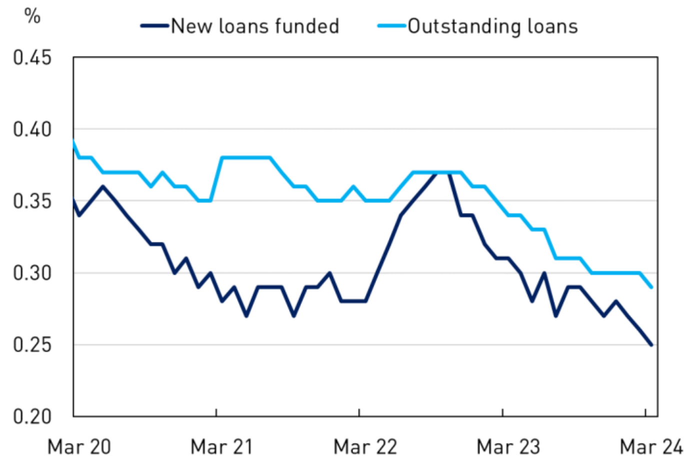
Excluding refinancing



Seasonally Adjusted
Source: ABS

Lending rates: Spread between INV and OO

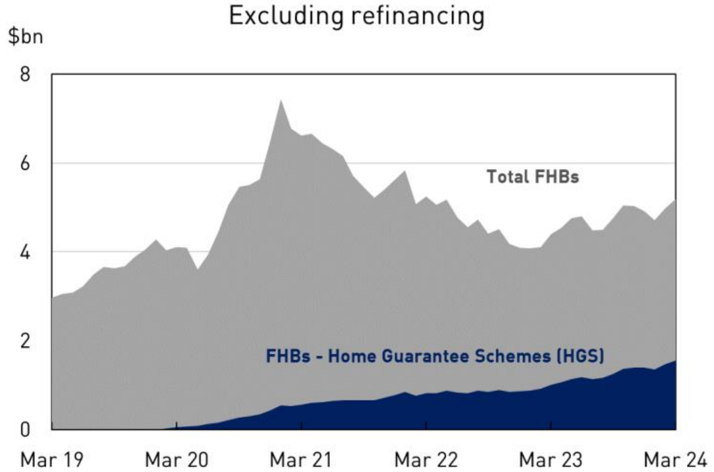
Variable rate loans



Source: RBA. ADIs and Non-ADI Lenders

First home buyers (FHBs) new commitments

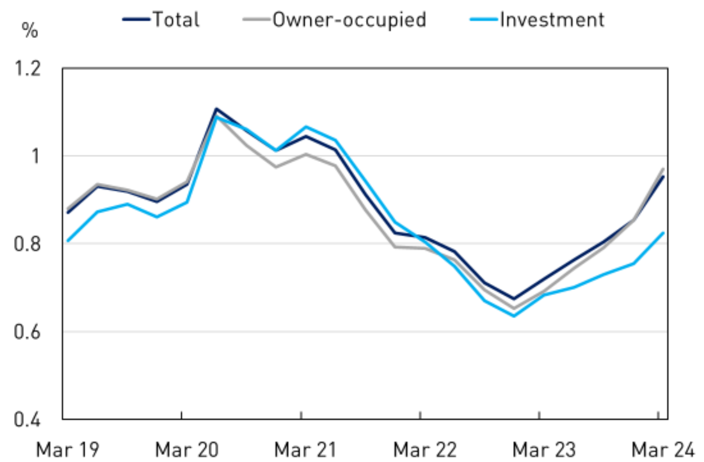
Excluding refinancing



Monthly HGS flow is estimated, based on annual HGS data
Source: ABS, Housing Australia.

Non-perfoming Loans

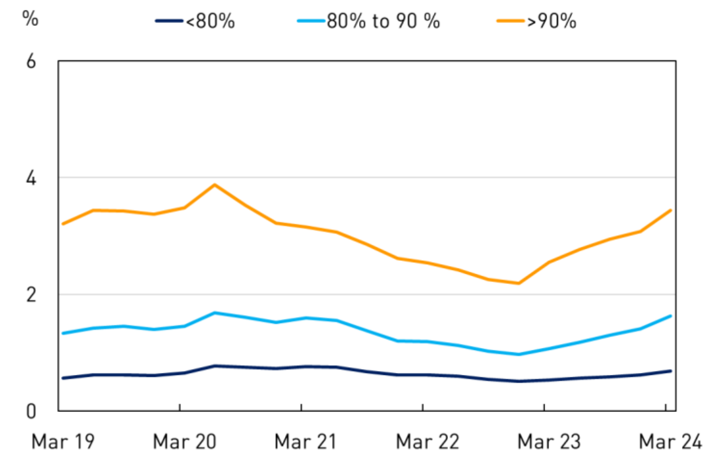
Share of credit outstanding by loan purpose



Source: ARF223, ADIs

Non-performing Loans

Share of credit outstanding by respective LVR buckets



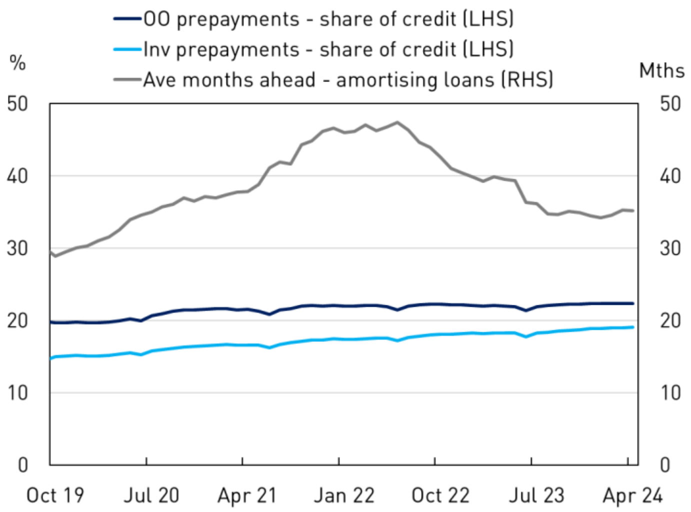
Source: ARF223, ADIs

Housing Provisioning Coverage

Share of gross loans and advances

Source: ARF720_1. ADIs

Mortgage Prepayments



Source: ARF743, ADIs