Monthly Credit Health Check – July 2024

Retail

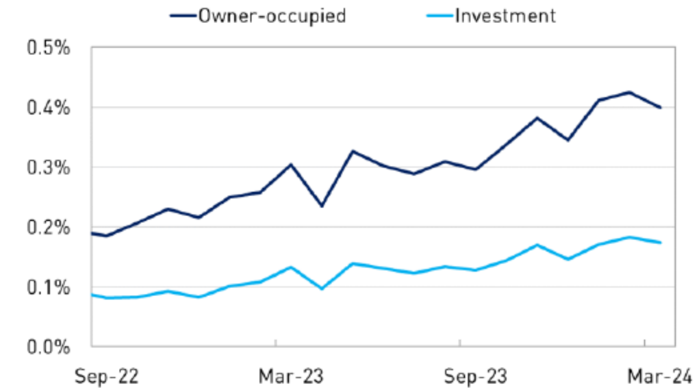
Existing lending

- **The deterioration in asset quality continues to gather pace, especially for owner-occupiers**. Hardship application volumes remained high, especially pronounced for borrowers with very high LVRs (see: Hardship update). NPLs are expected to continue to climb, reflecting high debt servicing costs combined with a weakening labour market, offset by relief from stage 3 tax cuts which are not yet reflected in the data.

New lending

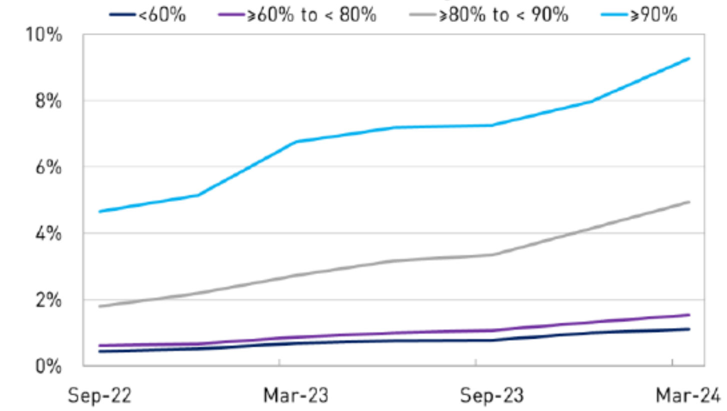
- **New lending continued to grow,** with investors' share of new commitments now at a 7-year high of 37 per cent. However, investors' overall credit growth remained well below owner-occupiers', as investors continue to discharge loans (be it through sale or another means other than refinancing) at a high rate.
- **Limited housing supply is a key driver of falling mortgage affordability** as the supply of housing remains constrained. Improving the availability of credit for the purchase of existing properties is likely to worsen affordability, by increasing demand while the construction industry continues to face challenges in delivering new supply.
- **Owner-occupiers are partially pulling back from new home construction.** Lending to households for construction has remained broadly stable, with investors increasing activity. Non-ADIs are a key provider of credit in this space. For more detail, see residential construction deep-dive.

Monthly hardship applications
as share of number of loans



Source: ASIC

Hardship applications by LVR band
Share of outstanding loans



Source:ASIC & APRA

Non-performing loan ratio
Housing

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

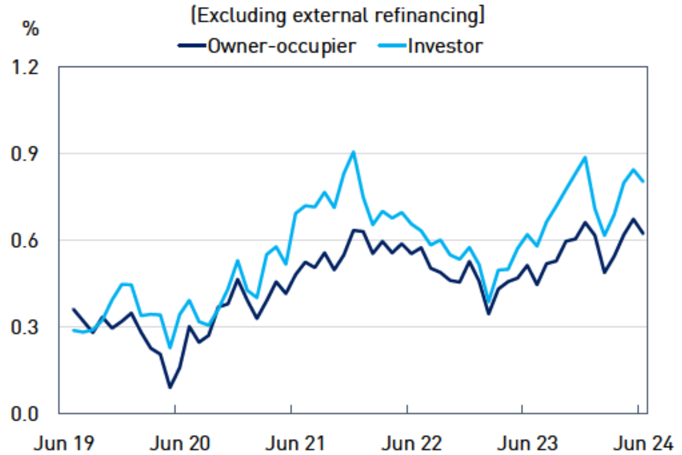
New loan commitments
Share of total housing (excluding refinancing)

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

Housing credit growth
Six month annualised

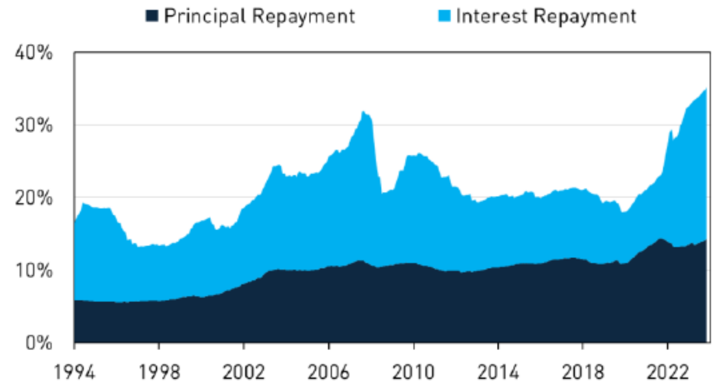
Source: APRA; RBA

Discharges, share of loans outstanding
(Excluding external refinancing)



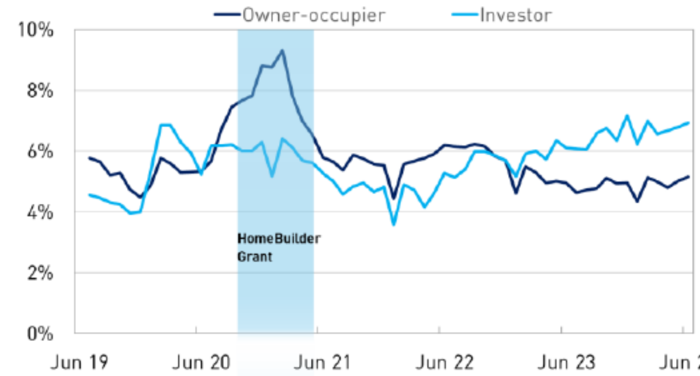
Estimated as excess repayments due to discharge of loan less new loans commitments for external refinancing
Source: ARF743

National Mortgage Affordability
Mortgage repayment as a share of household income for a new borrower, by component



Source: APRA; CoreLogic; RBA

Construction finance of new dwellings
Share of new loans funded by purpose



Source: ARF744

Non-retail

Section 22

[redacted]