Monthly Retail Credit Update – August 2024 (July 2024 data, unless otherwise stated)

Outstanding lending

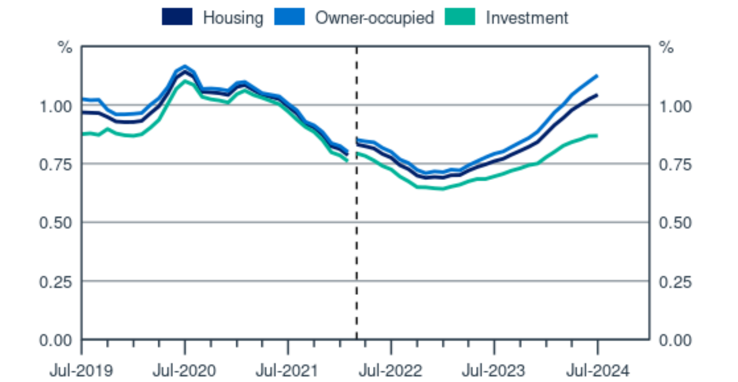
- The trend of increasing non-performing loans continued, notably for owner-occupiers. Banks view that arrears are at a low and manageable level, and growing property values broadly prevent loss given default. The impact of stage 3 tax cuts increasing household income has not yet fed through, with early-stage arrears and hardship volumes remaining high. However, any future weakening in the labour market may put further pressure on borrowers.
- However, prepayment buffers have started an increasing trend, indicating this stress is only experienced in a subset of borrowers.

New lending

- Investors are driving strong growth in new lending, with the value of new commitments now about 2.4 times pre-pandemic levels. Softening rental yields suggest these investors may be increasingly targeting capital gains.
- Owner-occupiers, including first-home buyers, are also active, with the number of new loans around pre-pandemic levels despite higher interest rates eroding borrowing capacity. Competition remains healthy and margins continue to narrow, suggesting the availability of new credit is robust.
- The high volume of new lending does not come with any observed reduction in lending standards. The share of new loans with high-LVRs loan was broadly stable and lending with a low net-income-surplus is declining.

Non-performing loans ratio

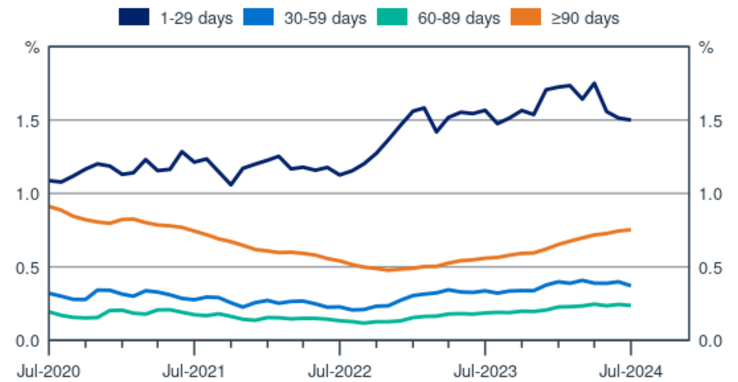
Per cent (%)



Source ARF 720.1A
Series break due to change in definition of non-performing loans
ADIs

Residential Mortgage Arrears

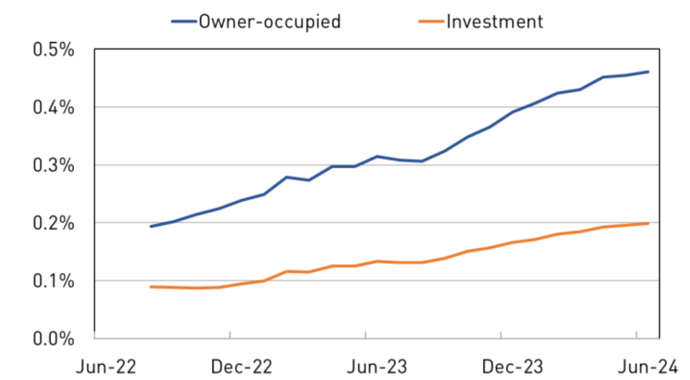
Share of mortgages by days past due (%)



Source: ARF 923.0
Best endeavours collectionn
ADIs

Monthly hardship applications

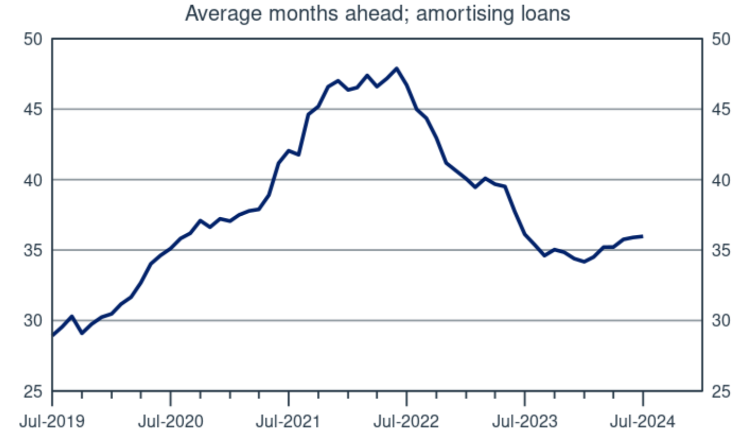
as share of number of loans, rolling 3-mo average



Source: ASIC, APRA

Mortgage Prepayments

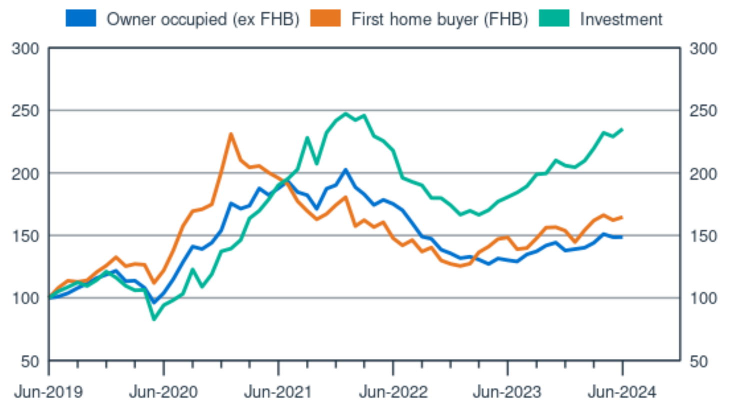
Average months ahead; amortising loans



Source: ARF 743.0; ARF744.0
ADIs

Value of New Housing Loan Commitments

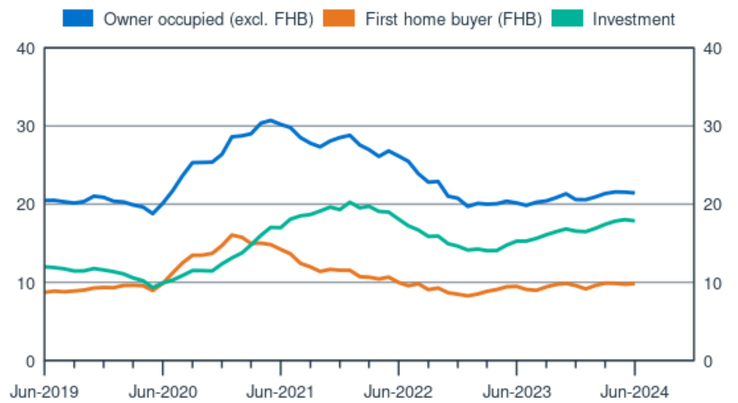
Seasonally Adjusted, Indexed to June 2019



Source: ABS
ADIs and non-ADIs

Number of New Housing Loan Commitments

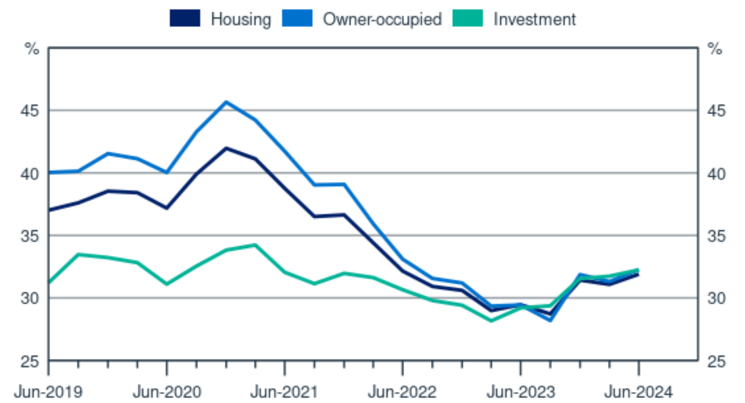
Seasonally Adjusted, Thousands (,000)



Source: ABS
ADIs and non-ADIs

Share of New Mortgage Lending with LVR ≥80

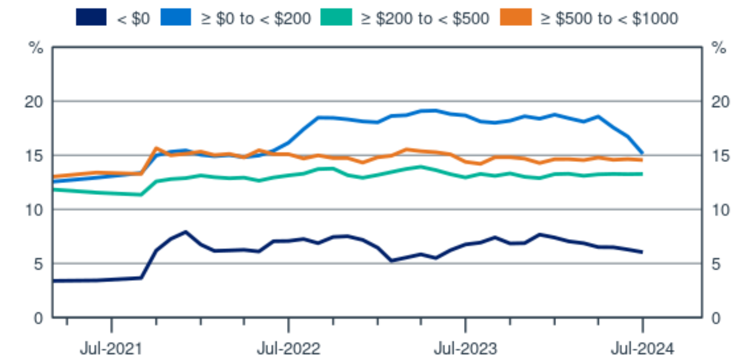
Per cent (%)



Source: ARF 223.0
ADIs

New borrowers' net income surplus

After servicability assessement, per month, as a share of new lending



Source: ARF 923.5
Best endeavours collection
ADIs