

## KEY POINTS

### Owner occupied housing commitments

- Both the number and value of owner occupied housing commitments were unchanged in June 2011 (seasonally adjusted).
- The flat result for the number of commitments in June follows a rise of 2.8% in the previous month.
- On an annual basis, the number of housing finance commitments increased by 5.7% in June, up from a 4.0% annual rate of increase in May 2011.
- The value of owner occupied housing commitments was 5.6% higher than at the same time last year.
- In trend terms, the number of commitments for owner occupied housing finance rose by 1.0% in June. This was the third consecutive month of growth, although the current trend level is still 1.9% below the average level during the December quarter 2010 (prior to the flood related disruptions to activity and finance in the first quarter of this year).
- The seasonally adjusted estimates of the number of housing commitments rose in all states and territories except Queensland (-0.7%), Tasmania (- 1.2%) and Victoria (flat, 0.0%).

### First home buyer commitments

- In original terms, the number of first home buyer commitments as a percentage of total owner occupied housing finance commitments fell from 15.4% in May 2011 to 15.2% in June 2011.

### Construction of new dwellings

- The seasonally adjusted number of finance commitments for the construction of new dwellings fell by 0.8% in June to be 1.1% lower than at the same time last year.

## Implications

- The trend in housing finance for owner occupied housing remains weak with the number of loans for owner occupiers recording a flat result in June.
- The data for June showed weakness across all categories of housing finance. The number of finance commitments for the purchase of new dwellings rose by a subdued 0.7% in June while finance for the construction of new dwellings (a lead indicator of dwelling approvals) fell by 0.8%, indicating a further crimping of housing supply. In addition, investor finance continued to weaken falling by 12.3% during the month.
- The weakness in housing finance is consistent with a number of indicators pointing to subdued conditions in the housing sector, including Ai Group's Australian Performance of Construction Index (Australian PCI®) which showed that the house building sub-index declined for a 14th consecutive month in July 2011. Stretched housing affordability, soft consumer confidence and households' desire to pay down debt are likely to continue to weigh on housing finance growth in the near term.

**Chart: Annual growth in owner occupied housing commitments (value and number)**

