



Finance Data Shows Housing Market Improving

Home loans approvals have risen for the seventh month in a row, and the housing sector is expected to strengthen further in the coming months. The number of home loans approved in July rose 2.4 per cent, the Australian Bureau of Statistics said, which was better than the market forecast of a 2.0 per cent rise.

CommSec chief economist Craig James said he expects the housing market to make more gains as consumer and business confidence improves now that the federal election is out of the way.

"What we would hope that, in a more settled environment, people will start spending, investing and hiring," he said.

"Of all the sectors in the economy, clearly one of the healthiest is housing." Housing is best placed to take over the leadership role from mining as the nation's key economic driver."

Loans made for the purchase of new dwellings rose 5.9 per cent in the month but loans for the construction of dwellings fell 2.1 per cent. "While construction loans fell, it was only the first fall recorded in eight months," Mr James said.

"Low interest rates and the skewing of state government grants to new building should continue to support the outlook for building material stocks and developers.

"Certainly we should have construction rising at a faster rate than established dwellings, so we don't get caught with unsustainable growth."

Mr James said the data and continued signs of strength in the housing sector will ensure that the

Reserve Bank will hold off on another interest rate cut until 2014. Total housing finance by value rose 1.1 per cent in July, seasonally adjusted, to \$24.180 billion.

JP Morgan economist Ben Jarman said that although the figures came in stronger than expected, the rise was being driven by investors rather than first-home buyers, who typically take out bigger loans.



"Average loan sizes are falling," Mr Jarman said. "At the same time, what you're getting is activity that is tilted more towards the investor and less toward the first-home buyer, so you're not getting that uplift in overall credit growth that you get when first-home buyers come into the market.

"It seems like there's a lot of turnover happening in housing but not enough homes being built and not enough credit growth to make it genuinely stimulatory.

"Without that piece of the puzzle moving we don't think this will really change the path of the real economy."

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