

Australian Mortgage Market Wrap: A monthly report covering the Australian home and investment mortgage market

January 2013

With compliments of:



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Executive Summary

As predicted, unemployment increased slightly between November and December 2012, with analysts predicting unemployment will increase to between 5.75% – 6.0% in mid-late 2013 before beginning to fall again. Despite these unemployment figures, the Westpac – Melbourne Institute Consumer Sentiment Index rose to 100.6 in January 2013, although the increase in sentiment was disappointing given the levels of positive external factors.

In seasonally adjusted terms, housing credit aggregates continued to trend upwards in November 2012, increasing from \$1,256.9bn in October 2012 to \$1,262.1bn. This rise was driven by increases in both owner-occupied and investment housing credit aggregates, which were up by 0.4% to \$855.3bn and 0.5% to \$406.7bn respectively.

Total lending commitments decreased by 0.8% to \$21.4bn between October and November 2012, which was due to a 3.3% decrease in investment housing lending commitments to \$7.5bn. However, this fall was partially offset by a 0.6% increase in owner-occupied lending commitments to \$13.9bn.

The 3-year fixed lending rate remained at 5.55% between October and November 2012, as the proportion of fixed rate home loans increased from 13.50% to 14.30%. The number and value of dwellings refinanced increased between October and November 2012, with refinanced dwellings up by 1.7% to 16,265 in number and by 1.1% to \$4,240m in value. In the same period, banks' share of owner-occupied lending commitments increased slightly to sit at 94.1% by value, with the banks' share of owner-occupied loans by volume remaining steady at 92.6%.

According to APRA, the total value of bank-held owner-occupied loans increased by 0.5% from \$753.5bn to \$757.0bn between October and November 2012, while the total value of bank-held investment property loans increased by 0.6% to \$372.7bn.

The total number of building approvals increased by 0.3% to 12,677 between October and November 2012. This increase was driven by growth in building approvals of 8.7% in VIC.

The proportion of first home buyer (FHB) loans relative to all housing loans decreased from 18.7% to 15.8% between October and November 2012. The average home loan size for FHBs also decreased by 0.1% to \$288,000 between September and October 2012, while the average home loan size for non-FHBs increased by 2.1% to \$310,200 over the same period.

Note: All publically available data used in this report was the most recently available data at the time of publishing. Revisions may have been made by the RBA, ABS, APRA or the Westpac-Melbourne Institute.

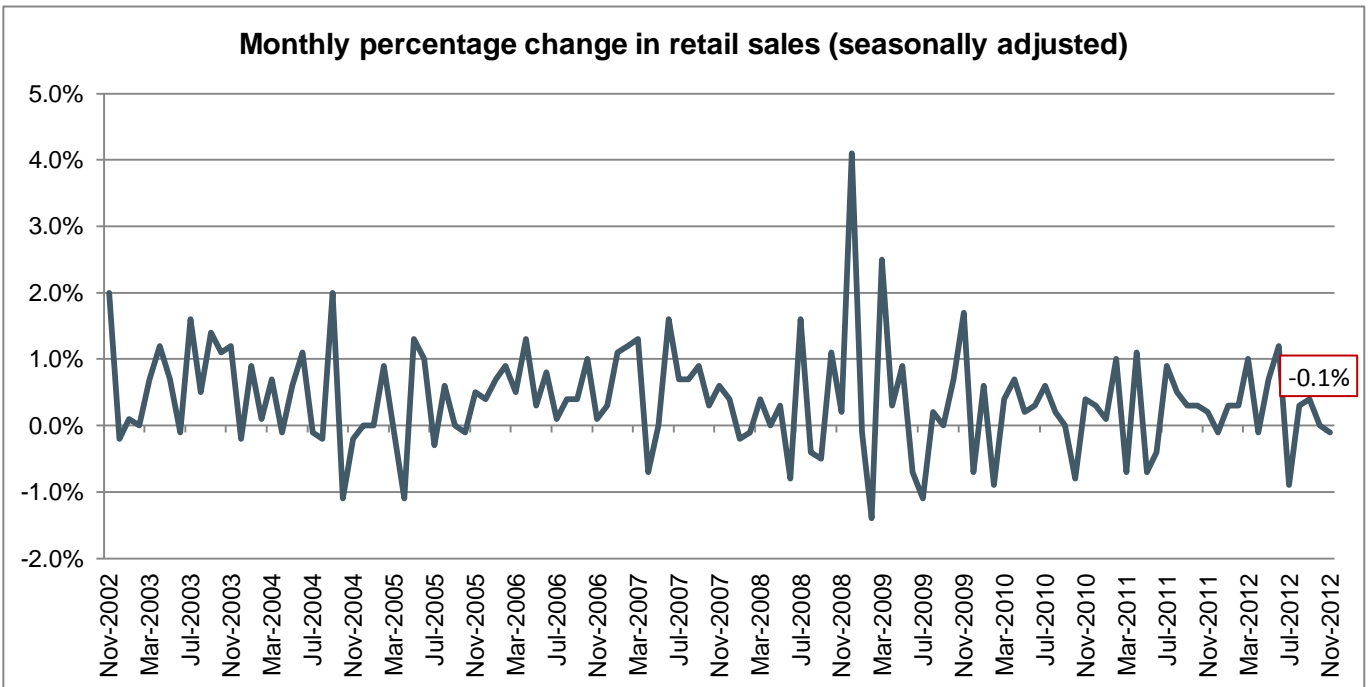
The Australian Economy – a snapshot

Retail spending

On a seasonally adjusted basis, retail sales declined by 0.1% between October and November 2012 following a period of 0.0% growth in October 2012. This November result disappointed economists, who had predicted an increase of 0.4% for the period.

Declines were seen in household goods retailing, clothing, footwear and personal accessory retailing and department store retailing of 0.9%, 0.6% and 0.4% respectively. General food retailing remained flat, with cafes, restaurants and takeaway food services as well as other retailing seeing increases of 0.3% and 1.0% respectively.

Between October and November 2012 retail sales grew by 0.3% in Victoria and 0.1% in Tasmania, but remained flat in Queensland. Declines were seen in New South Wales and South Australia, of 0.2% and 0.6% respectively, while Western Australia saw a decline of 0.3% following 3 consecutive months of growth of 1.0% or greater.

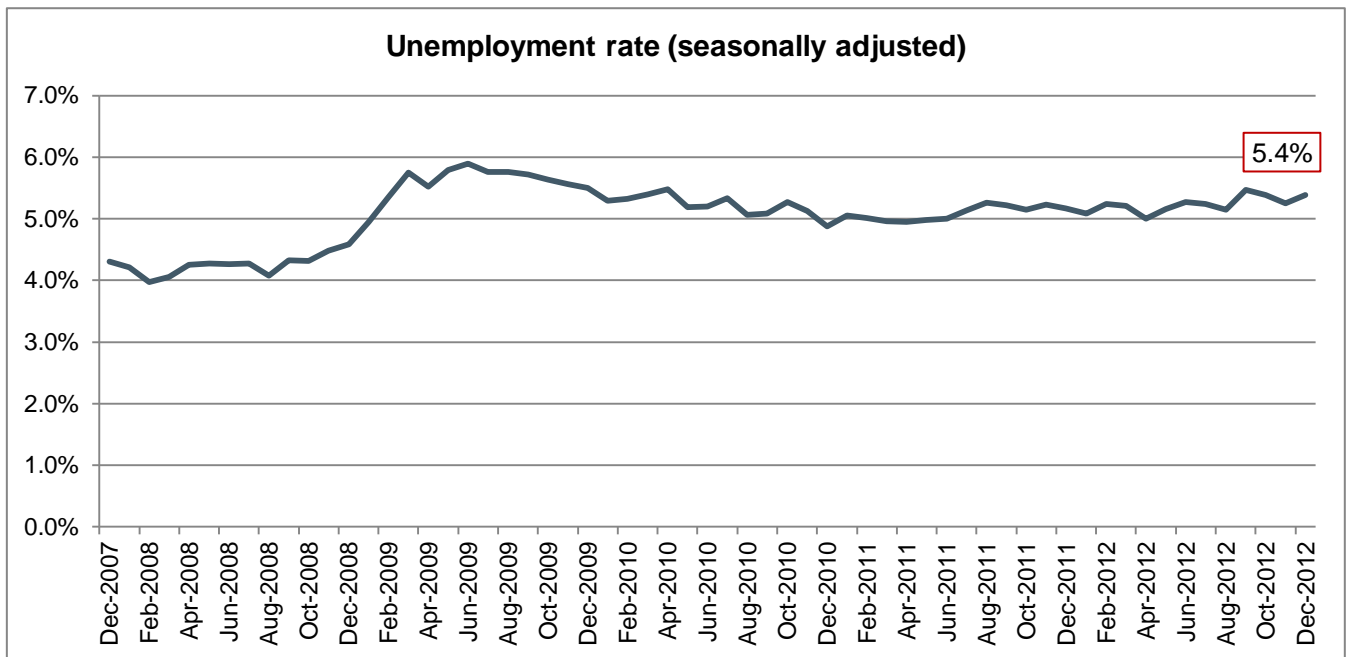


Source: ABS

Unemployment

The unemployment rate increased from 5.3% in November 2012 to 5.4% in December 2012. This fall can be attributed both to a fall in full time employment of 13,790, which was partially offset by an increase in part time employment of 8,256, as well as a 0.1% increase in the labour force. The participation rate remained at 65.1% between November and December 2012, after falling from 65.2% between October and November 2012.

This increase in unemployment was in line with economists' expectations, with AAP's survey of 14 economists correctly predicting the increase in the unemployment rate to be 5.4% and the flat participation rate figures. These economists predict continuing increases in the unemployment rate in 2013, with JP Morgan economist Tom Kennedy predicting the unemployment rate to top 6.0% later in the year before beginning to decline. This prediction is supported by the ANZ Job Advertisements series, which reported a 3.8% decline in job advertisements between November and December 2012. This was the 10th consecutive month of declines, and resulted in total job advertisements falling by over 16.0% in 2012. Justin Fabo, ANZ head of Australian Economics, Corporate and Commercial predicted a more modest peak in unemployment of 5.75% in 2013.



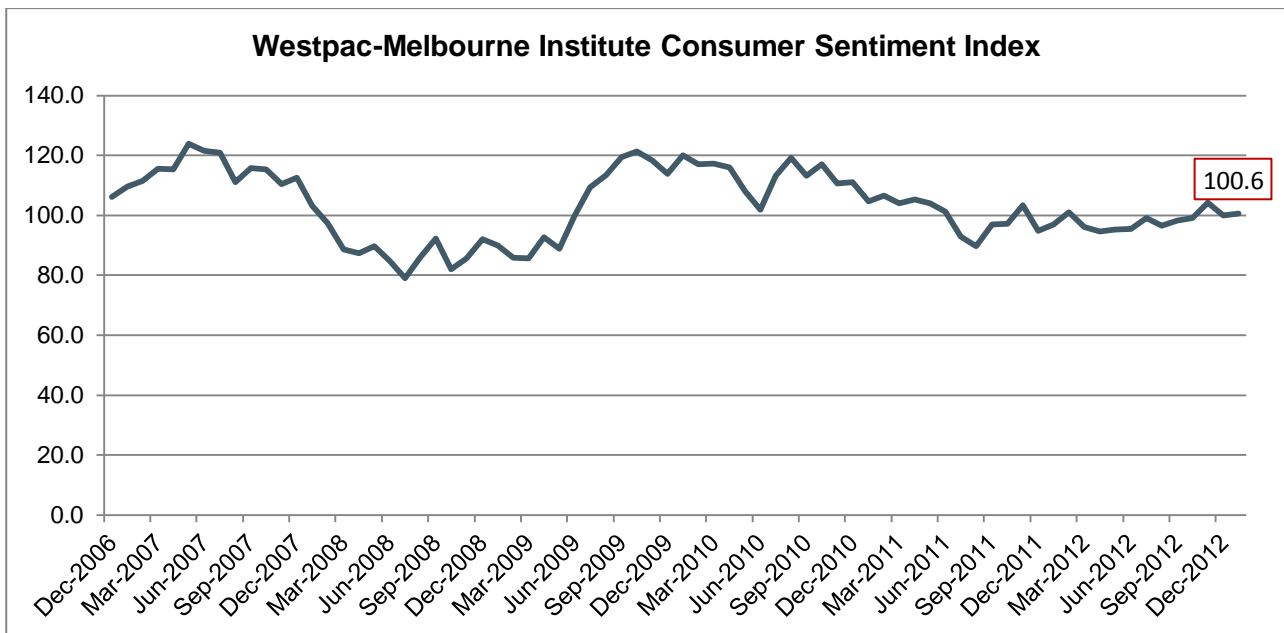
Source: ABS

Unemployment rates (seasonally adjusted)				
	Nov-12	Dec-12	Monthly change (Nov-12 to Nov-12)	Yearly change (Dec-11 to Dec-12)
Employed Persons ('000s)	11544.4	11538.9	0.0%	1.3%
Unemployed Persons ('000s)	639.8	656.4	2.6%	5.9%
Labour Force ('000s)	12184.2	12195.2	0.1%	1.5%
Unemployment Rate	5.3%	5.4%	0.1pts	0.2pts
Participation Rate	65.1%	65.1%	0.0pts	-0.1pts

Source: ABS

Consumer sentiment

After falling to 100.0 in December 2012, the Westpac-Melbourne Institute Consumer Sentiment Index rose slightly to 100.6 in January 2013, indicating that optimists outweighed pessimists. However, Westpac chief economist, Bill Evans, commented that the result was disappointing in the face of external factors that were expected to improve consumer sentiment, such as the RBA cash rate cuts, the strong Australian dollar and improvements in the Australian and US share market and improved prospects for Chinese economic growth. The falls in 'family finances compared to a year ago' and 'family finances over the next 12 months', of 8.6% and 1.2% respectively, were indications as to why the improvement in consumer sentiment remained modest.



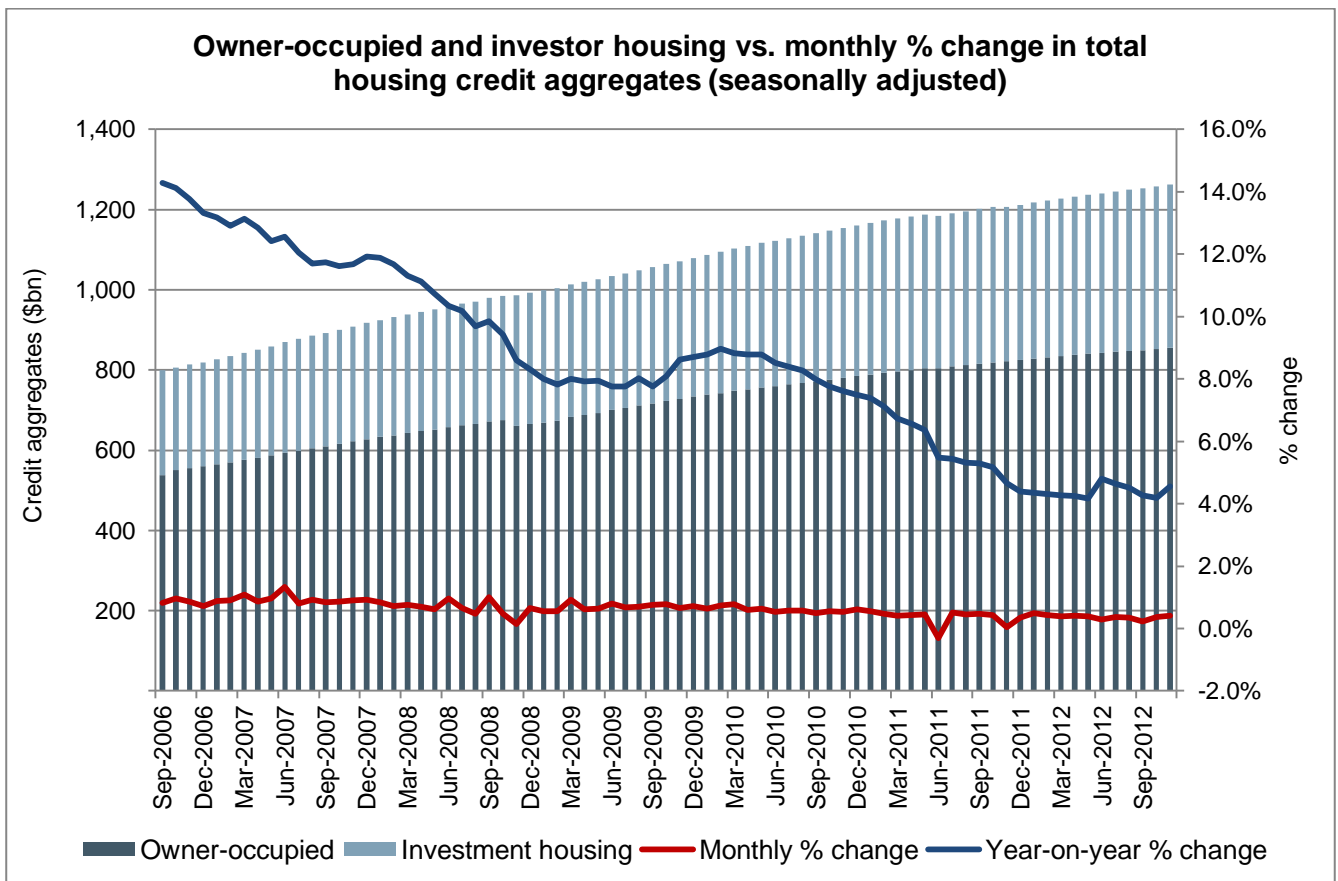
Source: Westpac – Melbourne Institute

Housing market activity

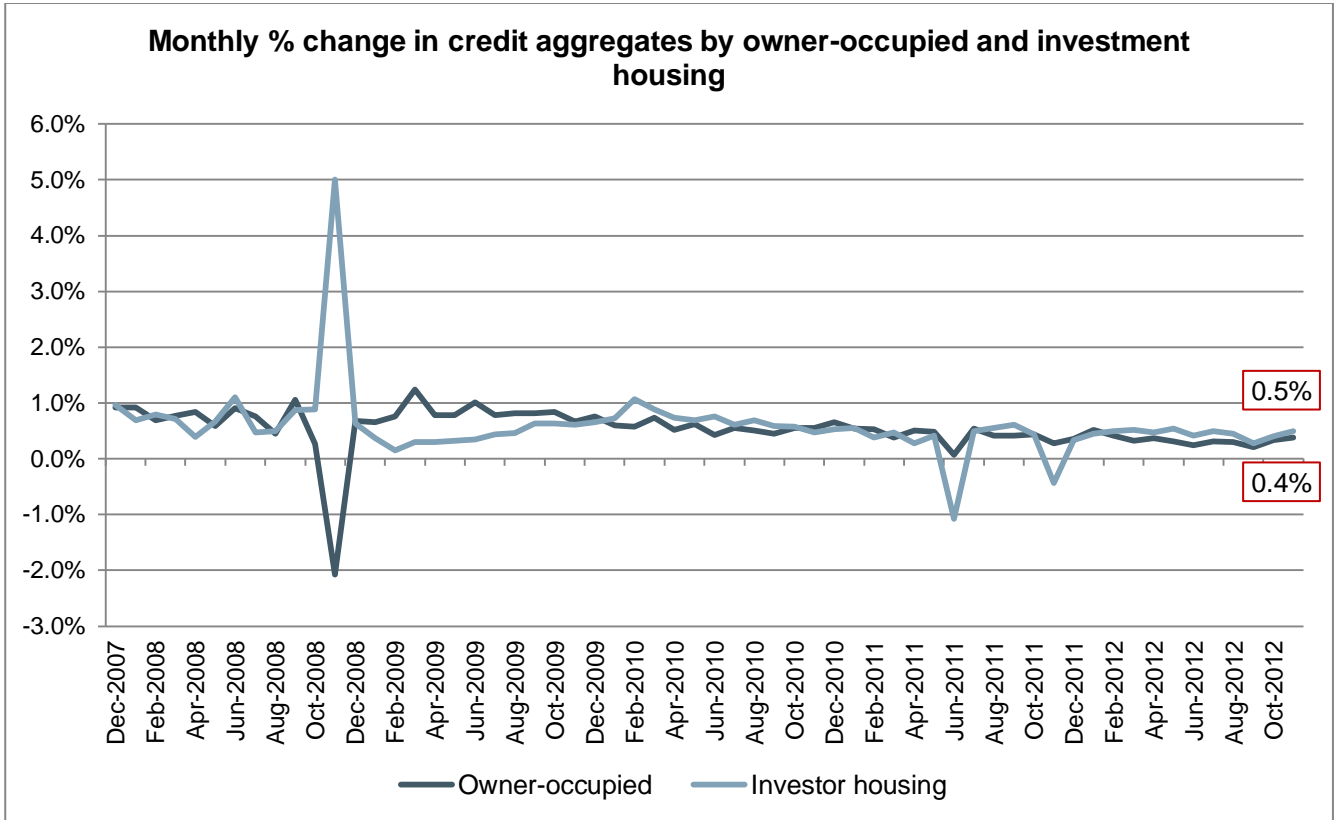
Housing credit aggregates

In seasonally adjusted terms, housing credit aggregates continued to trend upwards in November 2012, increasing by 0.4% to \$1,262.1bn between October and November 2012. This increase was a result of increases in both owner-occupied and investment housing credit aggregates, which were up by 0.4% to \$855.3bn and 0.5% to \$406.7bn respectively.

For the year ending November 2012, housing credit aggregates grew by 4.6%, which was slightly lower than the 4.7% year-on-year growth seen in November 2011, but was an improvement from the 4.2% year-on-year growth seen between October 2011 and October 2012 and follows 4 consecutive months of decelerating growth.



Source: RBA

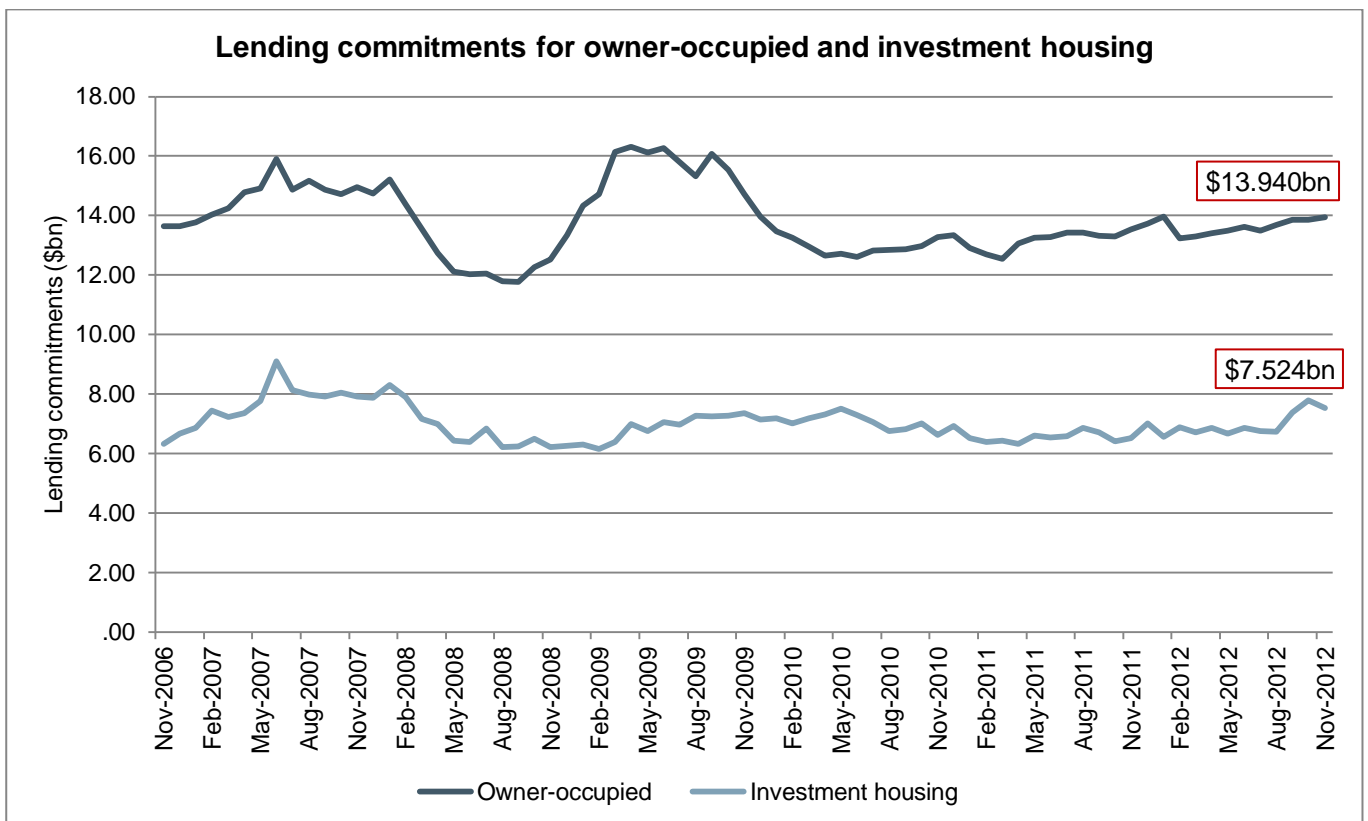


Source: RBA

Lending commitments

Total lending commitments fell by 0.8% between October and November 2012. This was mainly driven by a 3.3% fall in lending commitments for investment housing, which was partly offset by a 0.6% increase in lending commitments for owner-occupied housing.

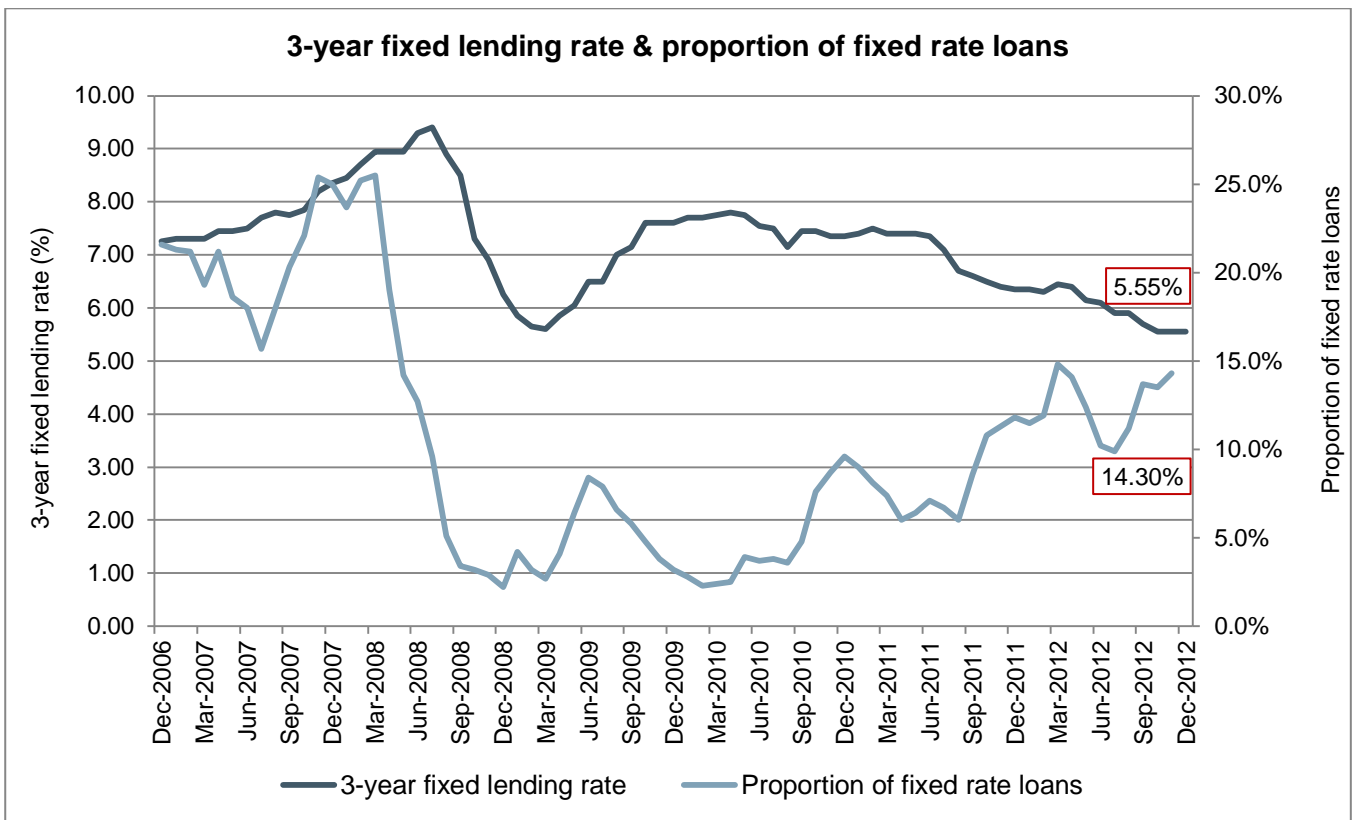
In year-on-year terms, total lending commitments rose by 7.1%. This was lower than the 9.8% year-on-year growth seen between October 2011 and October 2012, but was higher than any other 12-month period since November 2010. Despite the fall in investment housing lending commitments between October and November 2012, investment housing lending commitments were still up 15.5% between November 2011 and November 2012. Owner-occupied housing lending commitments increased by a more modest 3.0% between November 2011 and November 2012.



Source: RBA

Fixed and variable loans

Since falling from 5.70% to 5.55% between September and October 2012, the 3-year fixed lending rate has remained steady for 3 consecutive periods, while the proportion of fixed rate loans increased from 13.5% to 14.3% between October and November 2012. Predicted cuts to the cash rate by the RBA in 2013 are expected to impact on both the fixed lending rates and the proportion of fixed rate loans in the coming year.

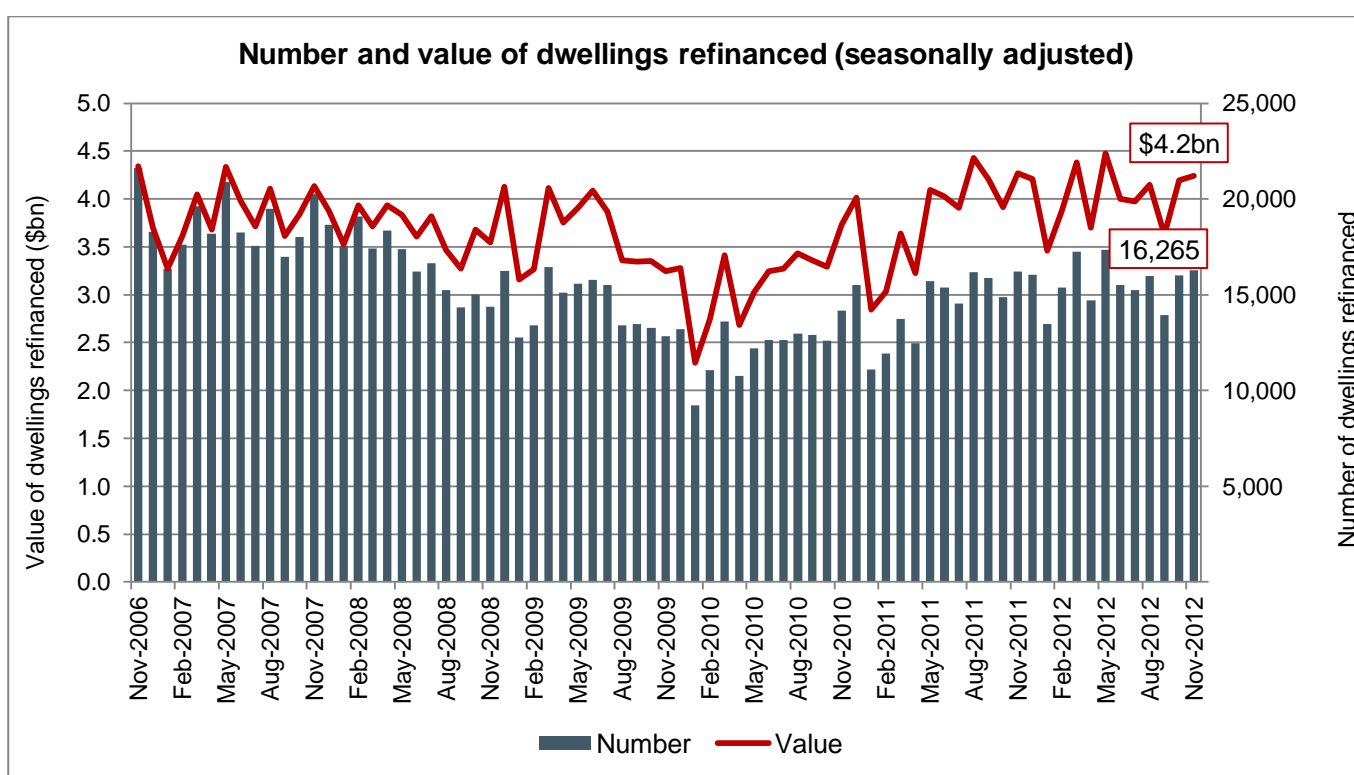


Source: ABS and RBA

Dwellings Refinanced

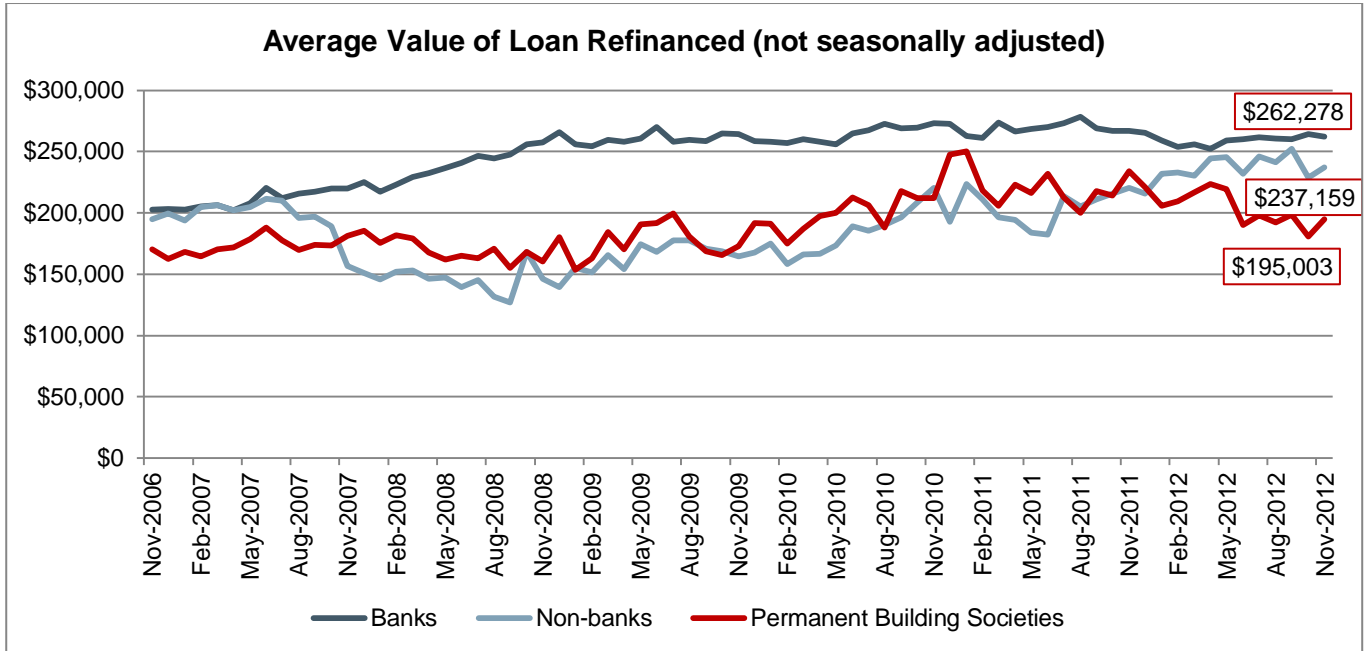
In seasonally adjusted terms, the number and value of dwellings refinanced rose between October and November 2012, with the number of dwellings refinanced rising 1.7% to 16,265 and the value of dwellings refinanced rising 1.1% to \$4.2bn.

In year-on-year terms, between November 2011 and November 2012 the number of refinanced dwellings rose by 0.3%, and the value of dwellings refinanced fell by 0.6%.



Source: ABS

Between October 2012 and November 2012, the average value of loans refinanced with banks fell by 0.8% to \$262,278, while the average value of loans refinanced with non-banks and Building Societies increased by 3.6% and 8.0% to \$237,159 and \$195,003 respectively.



Source: ABS

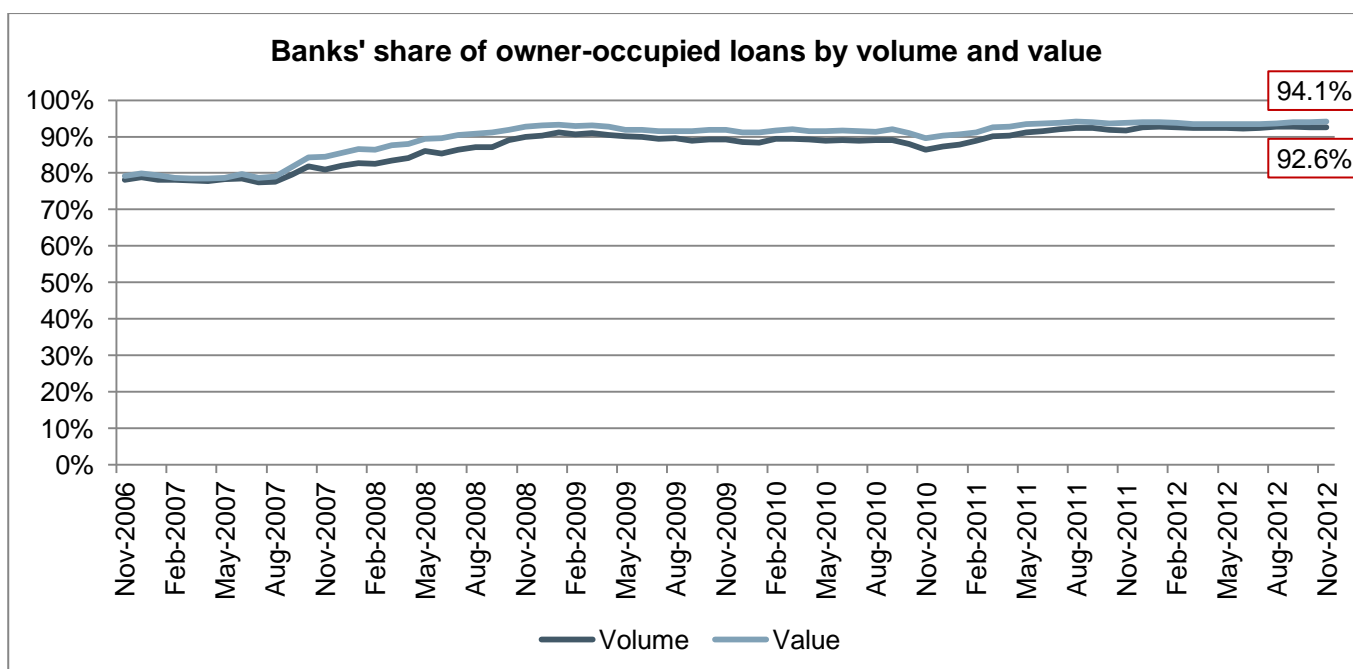
Refinancing activity (seasonally adjusted)		
	Number of dwellings refinanced	Value of dwellings refinanced (\$m)
Nov-11	16,209	4,265.6
Oct-12	15,997	4,192.0
Nov-12	16,265	4,239.6
Monthly % change	1.7%	1.1%
Year-on-year % change	0.3%	-0.6%

Source: ABS

Market Share

Owner-occupied lending commitments

Between October and November 2012, banks' combined market share of owner-occupied lending commitments increased slightly in value to 94.1%, with volume remaining steady at 92.6%. This marked the fourth consecutive month of increase in banks' share of value of owner-occupied lending commitments, with the value of banks' owner-occupied lending commitments accelerating faster than total value.



Source: ABS

Value of banks' share of owner-occupied loans		
	Banks (\$m)	Total (\$m)
Nov-11	12,691.2	13,527.9
Market share at Nov-11	93.8%	-
Oct-12	13,025.9	13,861.1
Nov-12	13,119.5	13,940.5
Monthly % change	0.7%	0.6%
Market share at Nov-12	94.1%	-

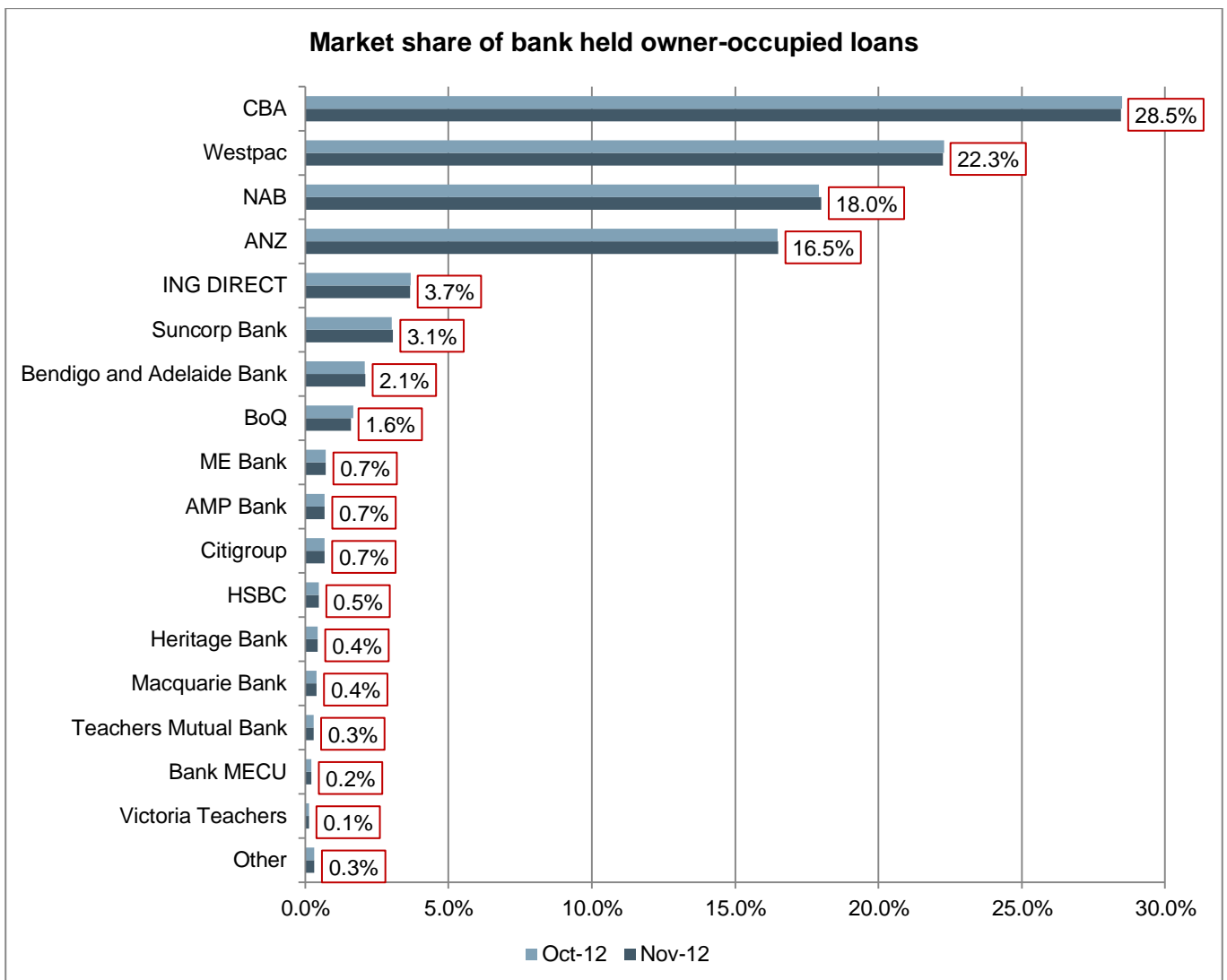
Source: ABS

Bank-held owner-occupied loans

According to APRA, the total value of bank-held owner-occupied loans increased by 0.5%, from \$753.4bn to \$757.0bn, between October and November 2012.

The combined market share of the 'Big 4' remained steady at 85.2% between October 2012 and November 2012. A slight fall in CBA's market share was made up for by a slight rise in NAB's market share. The market share of Westpac and ANZ remained steady over this period.

Among the other lenders and mutual banks, there was little movement in bank-held owner-occupied loans over this period.



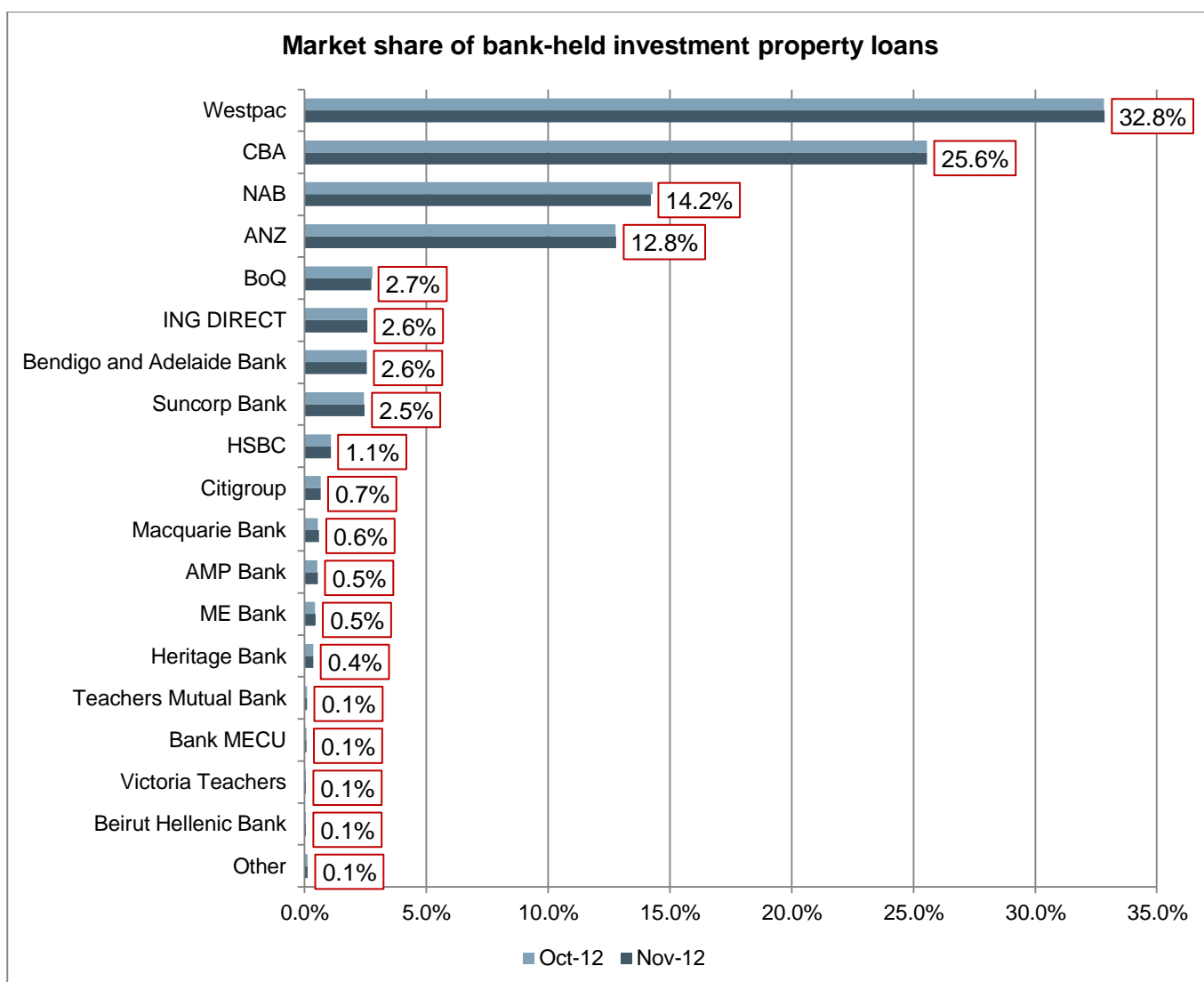
Source: APRA

Bank-held investment property lending

Between October and November 2012, the total value of bank-held investment property loans increased by 0.6% to \$372.7bn.

Among the lending institutions, following the large increase in CBA's market share in October, primarily due to the change in reporting to include Bankwest, there was a slight decrease in the market share of the 'Big 4' of 0.1%, resulting in a share of 85.4%. This was largely due to a decline in the market share of NAB, with limited market share movement from ANZ, CBA and Westpac.

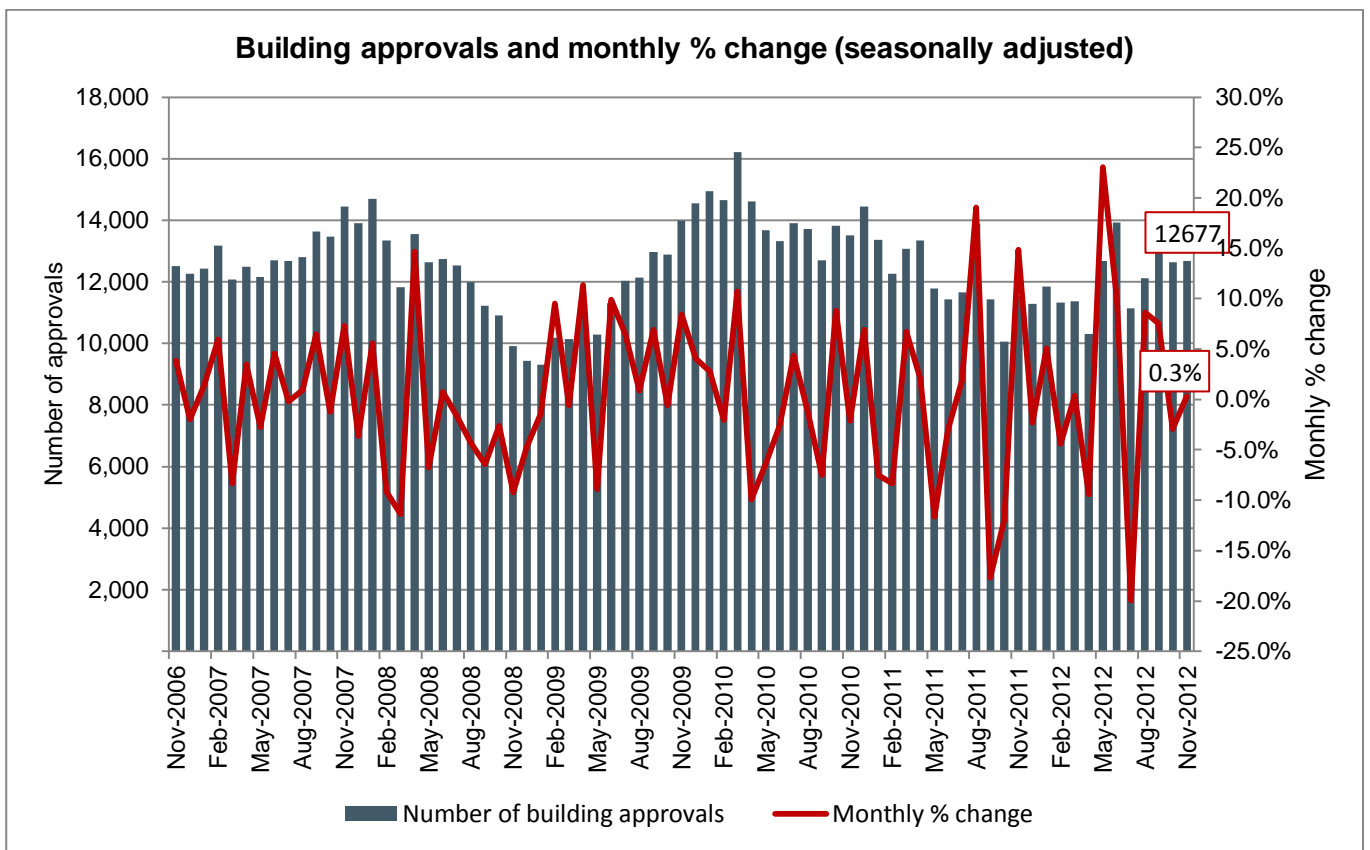
Meanwhile, mutual banks and other lenders saw their market shares remain relatively steady between October and November 2012.



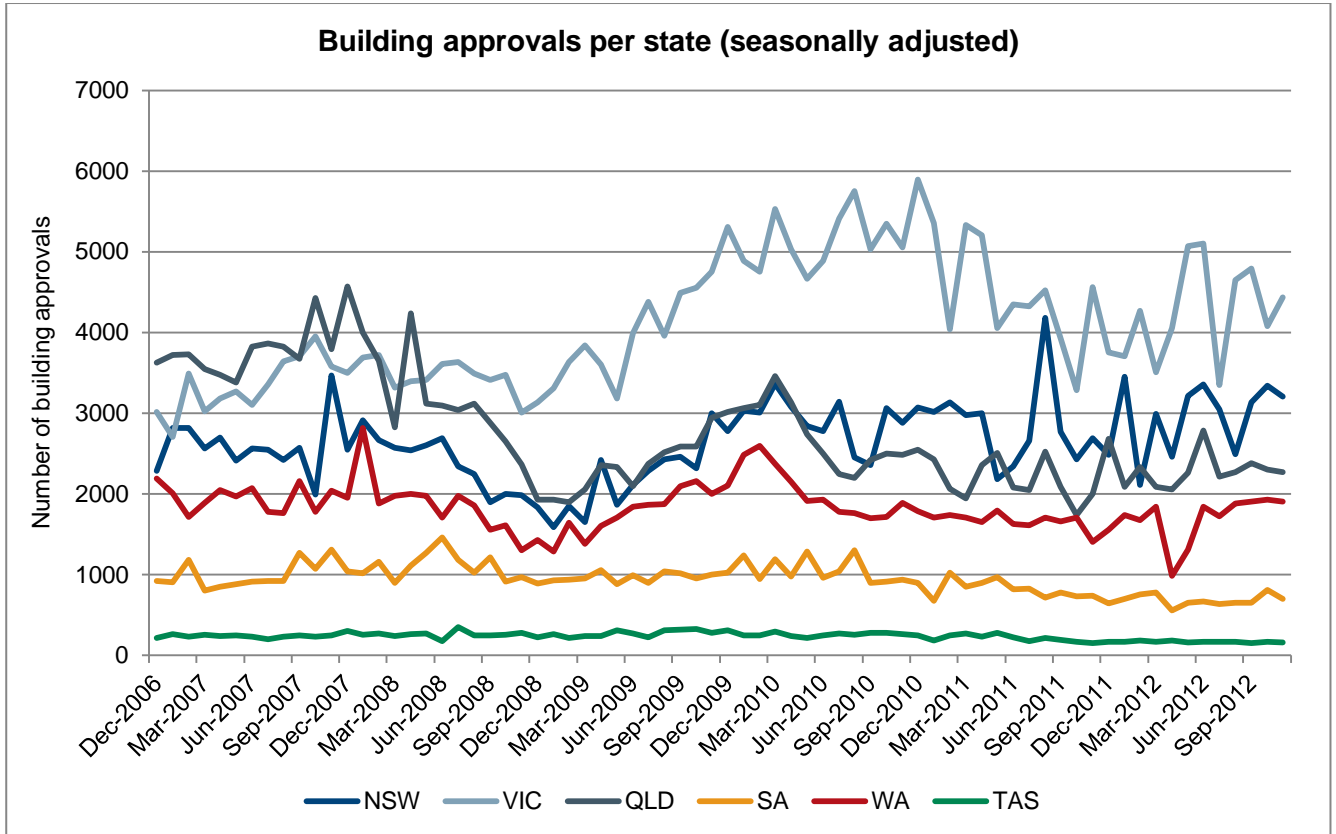
Source: APRA

Building approvals

Following a decline of 2.9% between September and October 2012, building approvals increased by 0.3% to 12,677 between October and November 2012. This was driven entirely by strong growth in building approvals in VIC, which increased by 8.7% over this period. This growth was offset by falls of 4.0% in NSW, 1.5% in QLD, 1.0% in WA, 7.6% in TAS and 13.8% in SA, which brought national growth down to a more modest level. Most of these declines followed a period of growth except for QLD, which experienced two consecutive monthly falls in building approvals.



Source: ABS



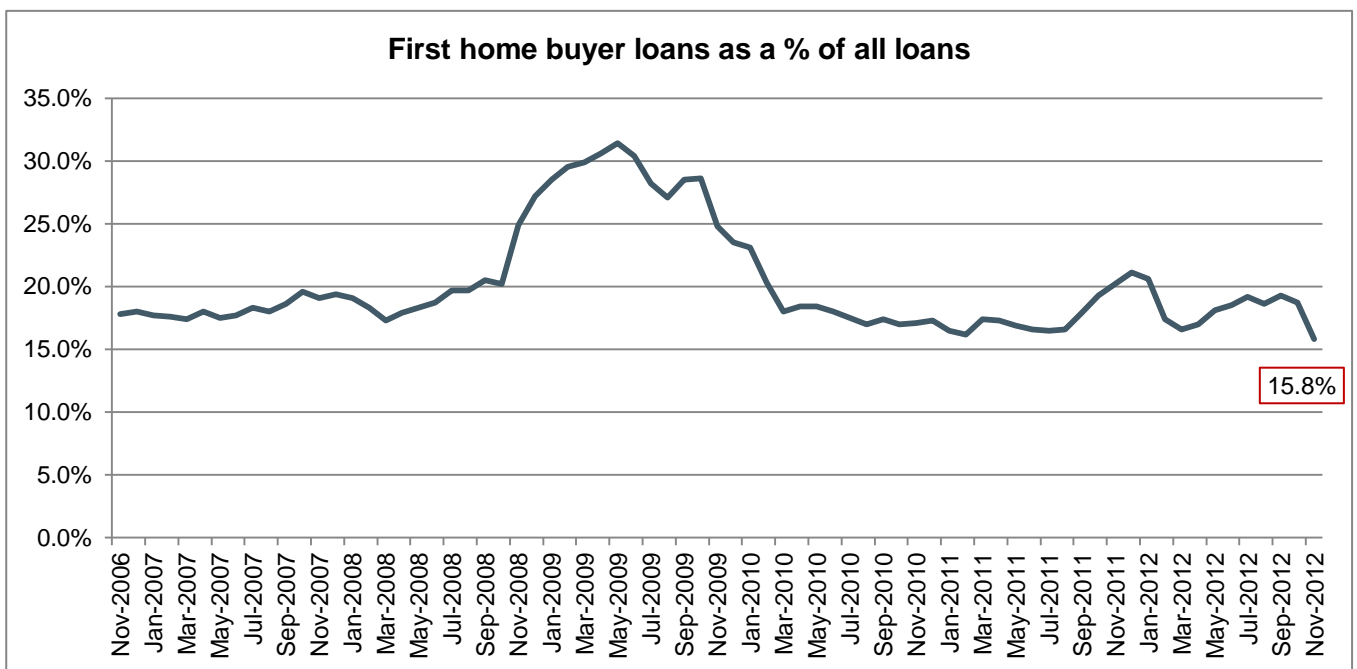
Source: ABS

Building approvals (seasonally adjusted)						
	NSW	VIC	QLD	SA	WA	TAS
Nov-11	2,692	4,561	1,999	739	1,403	151
Oct-12	3,342	4,801	2,302	812	1,926	172
Nov-12	3,209	4,436	2,267	700	1,906	159
Monthly change	-4.0%	8.7%	-1.5%	-13.8%	-1.0%	-7.6%
Average monthly change (Past 12 months)	4.4%	1.8%	2.2%	0.5%	5.0%	0.8%

Source: ABS

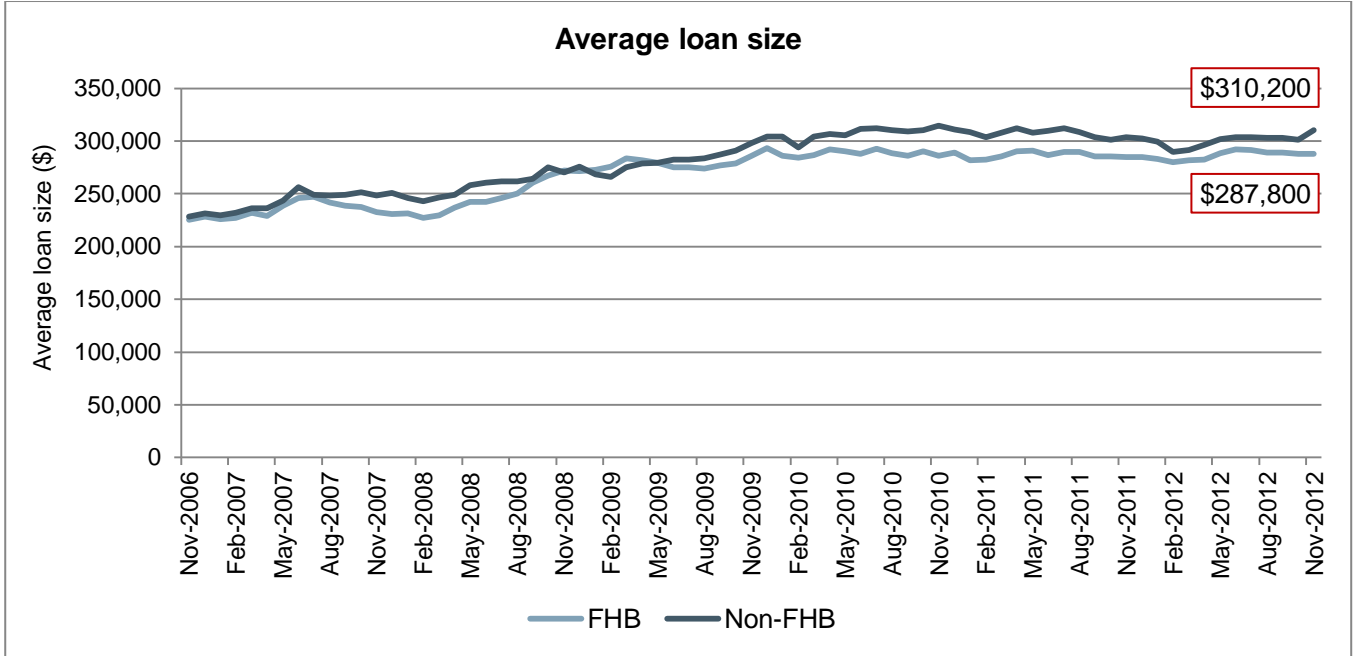
First home buyers

The proportion of first home buyer (FHB) loans relative to all housing loans continued to decline between October and November 2012 to hit its lowest point since July 2004. It is possible that this decline is a continuing effect of the removal of FHB incentives in some states.



Source: ABS

In line with the continuing decrease in the proportion of FHB loans, the average home loan size for FHBs decreased by 0.1% to \$287,800 between October and November 2012, while the average home loan size for non-FHBs increased by 2.9% to \$310,200 in the same period. In terms of year-on-year growth, the average home loan size for FHBs grew by 1.1%, while non-FHB loans increased by 2.1% between November 2011 and November 2012.



Source: ABS