

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

May 2013



*All things financial*

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## Executive Summary

On a seasonally adjusted basis, retail sales decreased by 0.4% between February and March 2013. The Reserve Bank of Australia (RBA) cut the cash rate by 0.25ppt in May 2013, to 2.75%. CommSec chief economist Craig James believes that the RBA is doing whatever it takes to grow the economy at a faster rate, and while there are risks in cutting rates to generational lows, the RBA believe it to be a risk worth taking. April 2013 saw a decrease in unemployment rates, from 5.6% in March 2013 to 5.5% in April. The Westpac-Melbourne Institute Consumer Sentiment Index fell by 7.0% in May 2013 to 97.6. Westpac's chief economist Bill Evans commented that the Index's 11.7% fall over the past two months has fully reversed the positive 9.0% increase that was seen over February and March.

In seasonally adjusted terms, housing credit aggregates continued to trend upward in March 2013, increasing by 0.4% to \$1,279.7bn. This increase was driven by 0.4% increases in both owner-occupied and investment housing credit aggregates, to \$866.8bn and \$412.9bn respectively. In the year ending March 2013, housing credit aggregates grew by the same rate as the year ending February 2013, at 4.3%.

Total lending commitments increased by 4.5% between February and March 2013, from \$21,993.0m to \$22,983.0m. This was driven by a 5.8% increase in owner-occupied lending commitments and a 2.1% increase in investment housing lending commitments.

The 3-year fixed lending rate remained steady at 5.45% in March 2013, the lowest figure in 23 years. Fixed rate loans as a proportion of all loans increased between February and March, from 13.5% to 18.4%. In seasonally adjusted terms, the number of dwellings refinanced increased by 1.1% between February and March 2013, from 14,787 to 14,952, while the value of dwellings refinanced increased by 3.2%, from \$3.86bn to \$3.98bn.

Banks' combined market share of owner-occupied lending commitments increased in terms of volume by 0.2ppt from 92.5% to 92.7%, while in terms of value, banks' combined market share of owner-occupied lending commitments increased by 0.5ppt, from 93.4% to 93.9%.

The total value of bank-held owner-occupied loans increased by 0.7% between February and March 2013, from \$768.2bn to \$773.6bn. In the same period, the total value of bank-held investment property loans also increased by 0.7%, from \$377.9bn to \$380.4bn.

After a 0.6% increase in the number of building approvals between January and February 2013, the number of building approvals decreased by 4.4% between February and March 2013, from 12,657 to 12,096.

The proportion of FHB loans relative to all housing loans fell by 1.4% between February and March 2013, from 14.4% to 14.2%. The average home loan size for FHBs remained unchanged at \$291,200 in March 2013, while the average home loan size for non-FHBs increased from \$299,700 to \$302,700 over the same period.

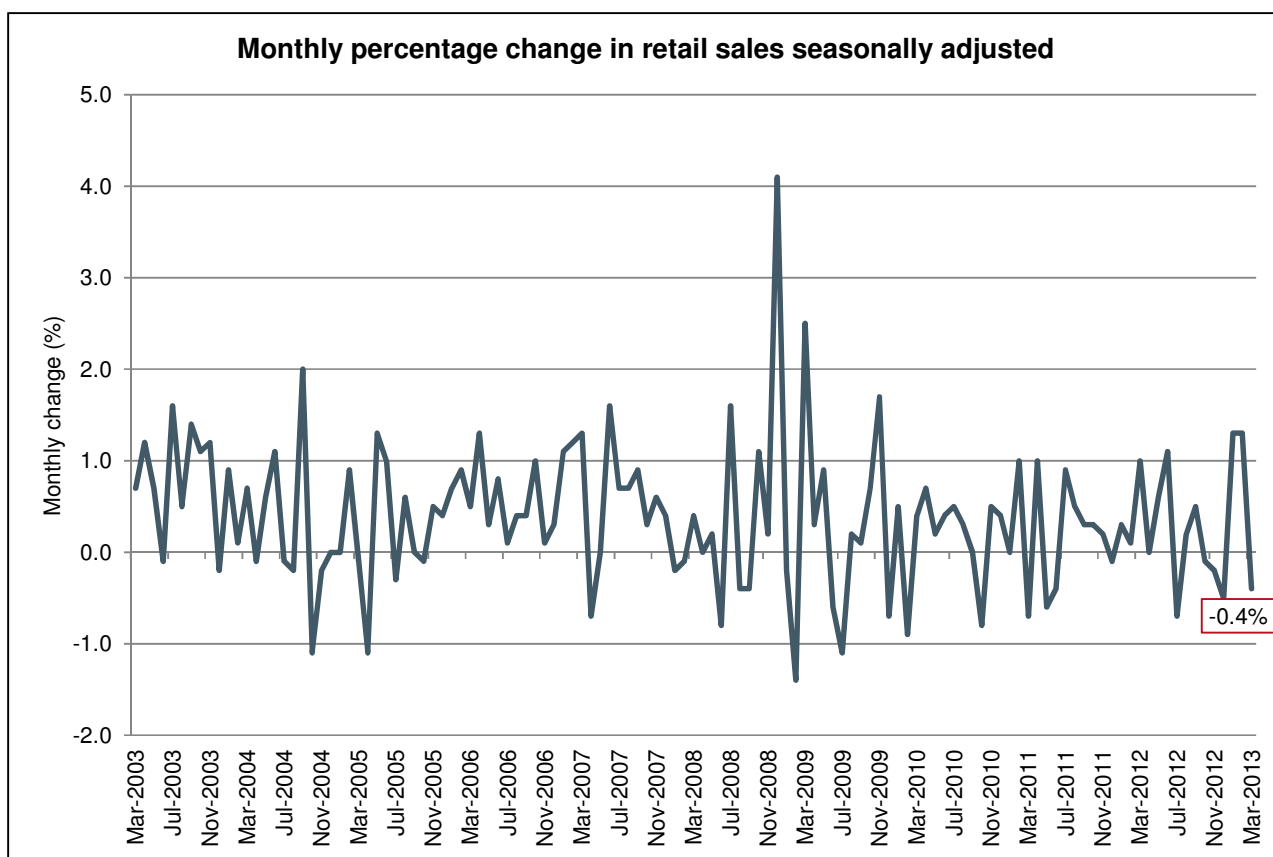
*Note: All publically available data used in this report was the most recently available data at the time of publishing. Revisions may have been made by the RBA, ABS, APRA or the Westpac-Melbourne Institute.*

## The Australian Economy – a snapshot

### Retail spending

In seasonally adjusted terms, retail sales decreased by 0.4% between February and March 2013, following an increase of 1.3% between January and February. 2013 marked the strongest start to the calendar year for retail sales since 2001, with a 2.5% increase between January and February. In March 2013 however, there was a 0.4% decrease, despite Bloomberg analysts' expectations of a 0.5% rise in sales. The largest contributing factor to this decline was clothing, footwear and personal accessory retailing, which decreased by 4.2% in March 2013. A small increase was recorded in food retailing (0.5%) and cafes, takeaway and restaurant food services (0.2%).

On a state-by-state basis, retail sales for March 2013 increased in South Australia, Western Australia and the Northern Territory by 0.3%, 0.2% and 0.8% respectively. However, New South Wales, Victoria, Queensland and Australian Capital Territory saw decreases of 0.2%, 0.6%, 0.8% and 0.8% respectively. Tasmania saw no monthly change.

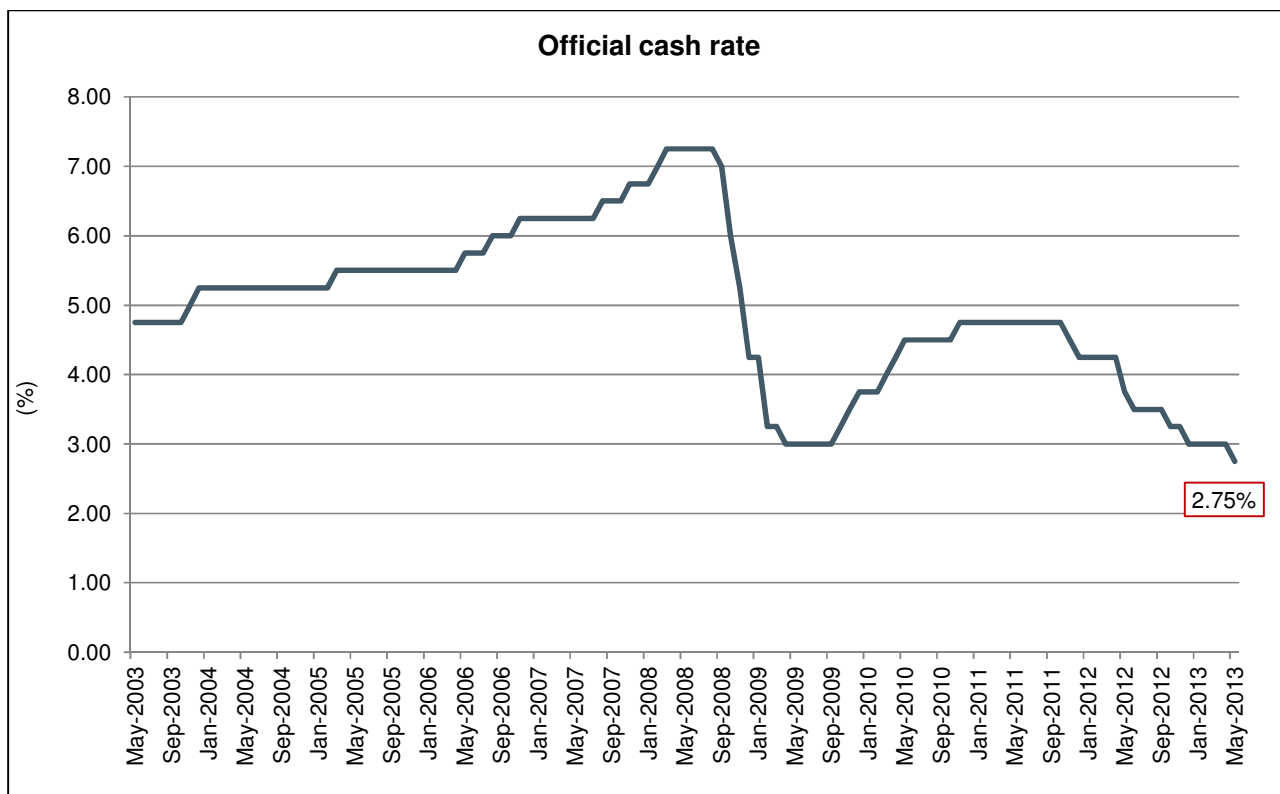


Source: ABS

## Interest rates

After keeping the cash rate on hold at 3.00% for the past five months straight, the RBA made a 0.25ppt cut to the cash rate in May 2013, and it now stands at 2.75%, which is a historical low. RBA governor Glenn Stevens said that low inflation allowed the board to make another reduction to boost economic growth. In 2012, the RBA cut the cash rate on four separate occasions, yet the May board meeting was the first meeting of 2013 to see a reduction. USB interest rate strategist Matthew Johnson thinks that there will not be any further cuts to the cash rate in the near future, as the RBA are very data dependent.

CommSec chief economist Craig James has said that nothing much has changed in the economic outlook since the April board meeting where the RBA kept the cash rate unchanged. Mr James said that he believes that the RBA has taken the global central bank approach of doing whatever it takes to grow the economy at a faster rate, and while there are risks in cutting rates to generational lows, the RBA believes it to be a risk worth taking.



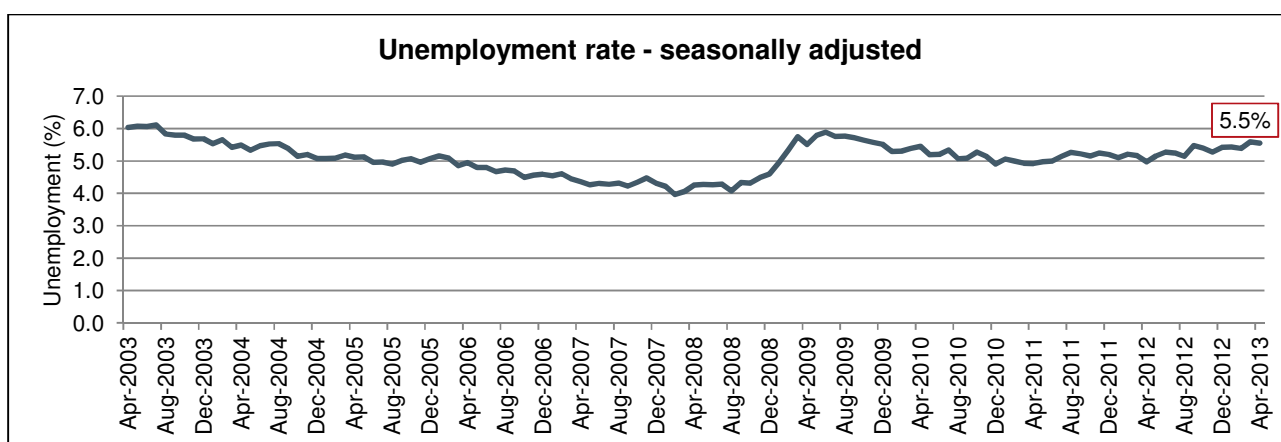
Source: RBA

## Unemployment

In seasonally adjusted terms, the unemployment rate for April 2013 dropped to 5.5% from 5.6% in March 2013. Economists had predicted the jobless rate to stay at 5.6%, the highest level since 2009, and estimated that only 11,000 positions would be created.

The number of people employed increased from 11,613.1 in March 2013, to 11,663.2 in April 2013. The participation rate also lifted from 65.2% in March to 65.3% in April 2013.

In year-on-year terms, the unemployment rate saw a 0.5ppt increase since April 2012, where it stood at 5.0%. This was driven by a 14.0% rise in the number of unemployed Australians for the year ending April 2013, which was partially offset by a 1.4% increase in the number of employed Australians.



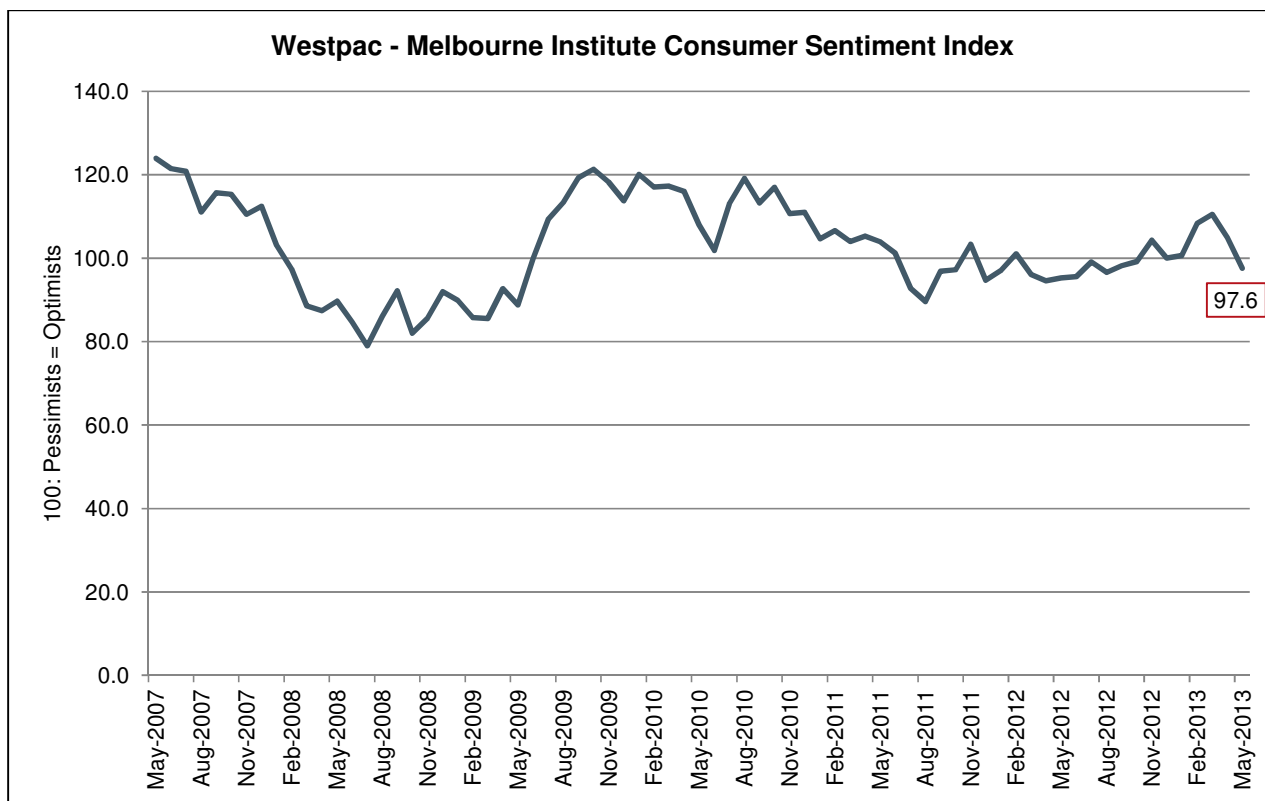
Source: ABS

Seasonally adjusted unemployment rates				
	Mar-13	Apr-13	Monthly change (Mar-13 to Apr-13)	Yearly change (Mar-13 to Apr-13)
<b>Employed persons ('000s)</b>	11,613.1	11,663.2	0.4%	1.4%
<b>Unemployed persons ('000s)</b>	688.0	685.3	-0.4%	14.0%
<b>Labour force ('000s)</b>	12,301.1	12,348.5	0.4%	2.1%
<b>Unemployment rate</b>	5.6%	5.5%	-0.1pts	0.5pts
<b>Participation rate</b>	65.2%	65.3%	0.1pts	0.1pts

Source: ABS

## Consumer sentiment

The Westpac-Melbourne Institute Index of Consumer Sentiment fell by 7.0% in May 2013, from 104.9 in April, to 97.6. Westpac's Chief Economist Bill Evans commented that the Index has fallen by 11.7% over the past two months to fully reverse the positive 9.0% increase seen between February and March. Evans said that the number of pessimists now outweighs optimists for the first time since October 2012. Evans noted that they had expected a solid boost in the Index since the announcement of a further cut to the cash rate, yet he believes that the announcement of the Federal Budget, which followed shortly after, was the reason for the fall. In the media release that followed the results of the Westpac-Melbourne Institute Consumer Sentiment Index for May 2013, Bill Evans said that the poor index result strengthens the case for another rate cut as early as June 2013, however, the outlook for business investment and the path of the Australian dollar will be important factors in that decision.

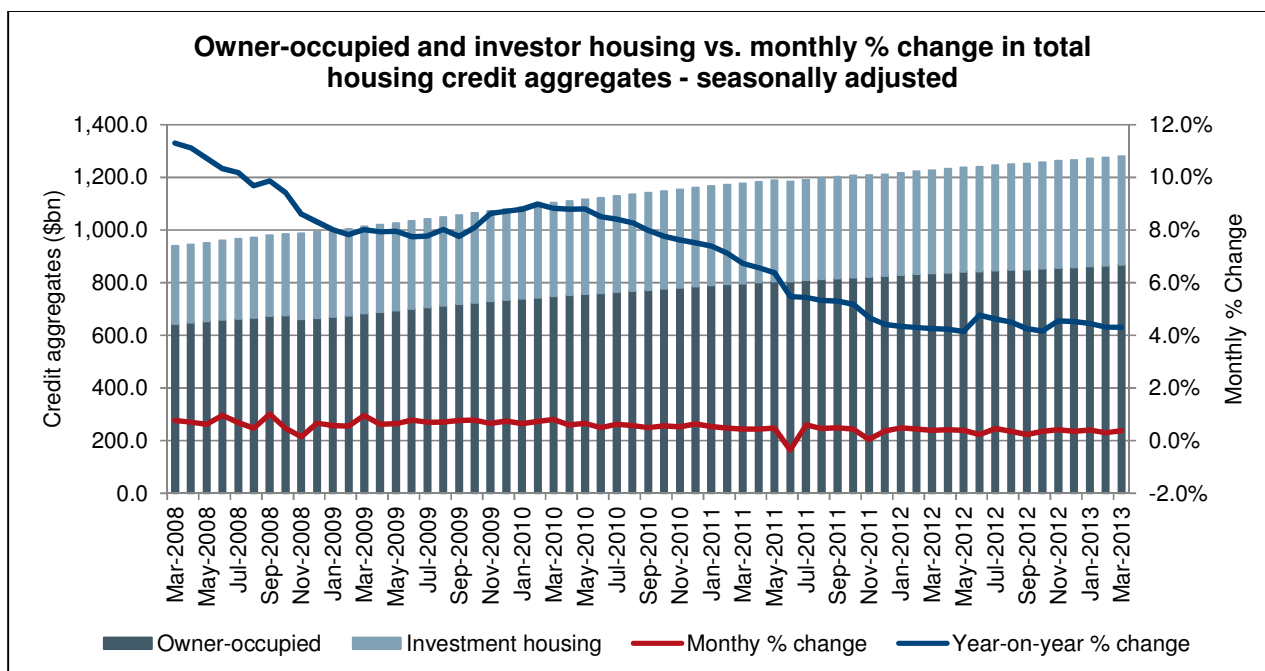


Source: Westpac – Melbourne Institute

## Housing market activity

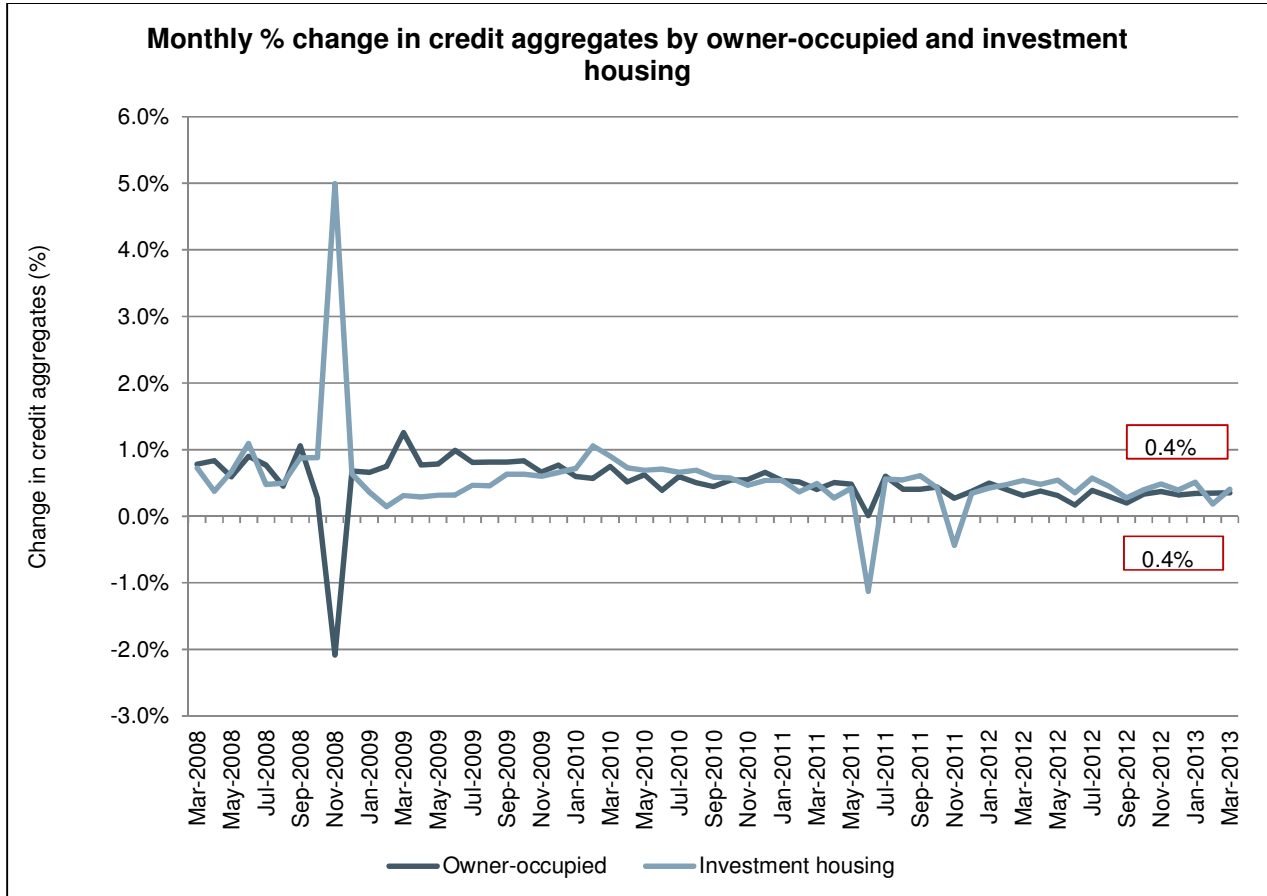
### Housing credit aggregates

In seasonally adjusted terms, housing credit aggregates continued to trend upward in March 2013, increasing by 0.4% to \$1,279.7bn between February and March 2013. Similar monthly percentage increases have been seen in housing credit aggregates since October 2012. The March 2013 increase was driven by 0.4% increases in both owner-occupied and investment housing credit aggregates in March 2013, to \$866.8bn and \$412.9bn respectively. In the year ending March 2013, housing credit aggregates grew by the same rate as the year ending February 2013, at 4.3%.



Source: RBA



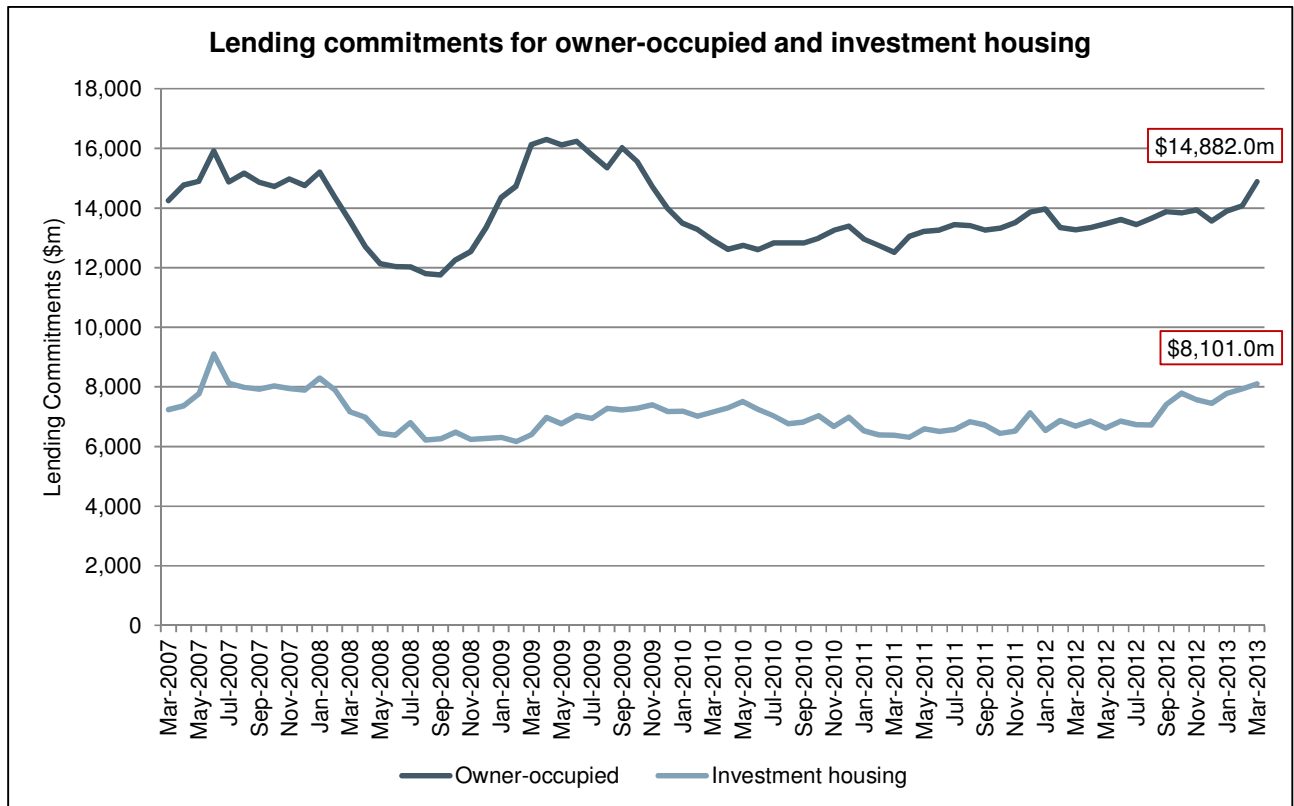


Source: RBA

## Lending commitments

Between February and March 2013, owner-occupied lending commitments increased by 5.8%, from \$14,062.0m to \$14,882.0m, and investment housing lending commitments increased by 2.1%, from \$7,930.0m to \$8,101.0m. Total lending commitments increased by 4.5% between February and March 2013, from \$21,993.0m to \$22,983.0m.

In year-on-year terms, owner-occupied lending commitments increased by 12.2% in the year ending March 2013, and investment housing lending commitments increased by 21.3%. The growth in both owner-occupied lending commitments and investment housing lending commitments saw a 15.2% increase in total lending commitments for the year ending March 2013.

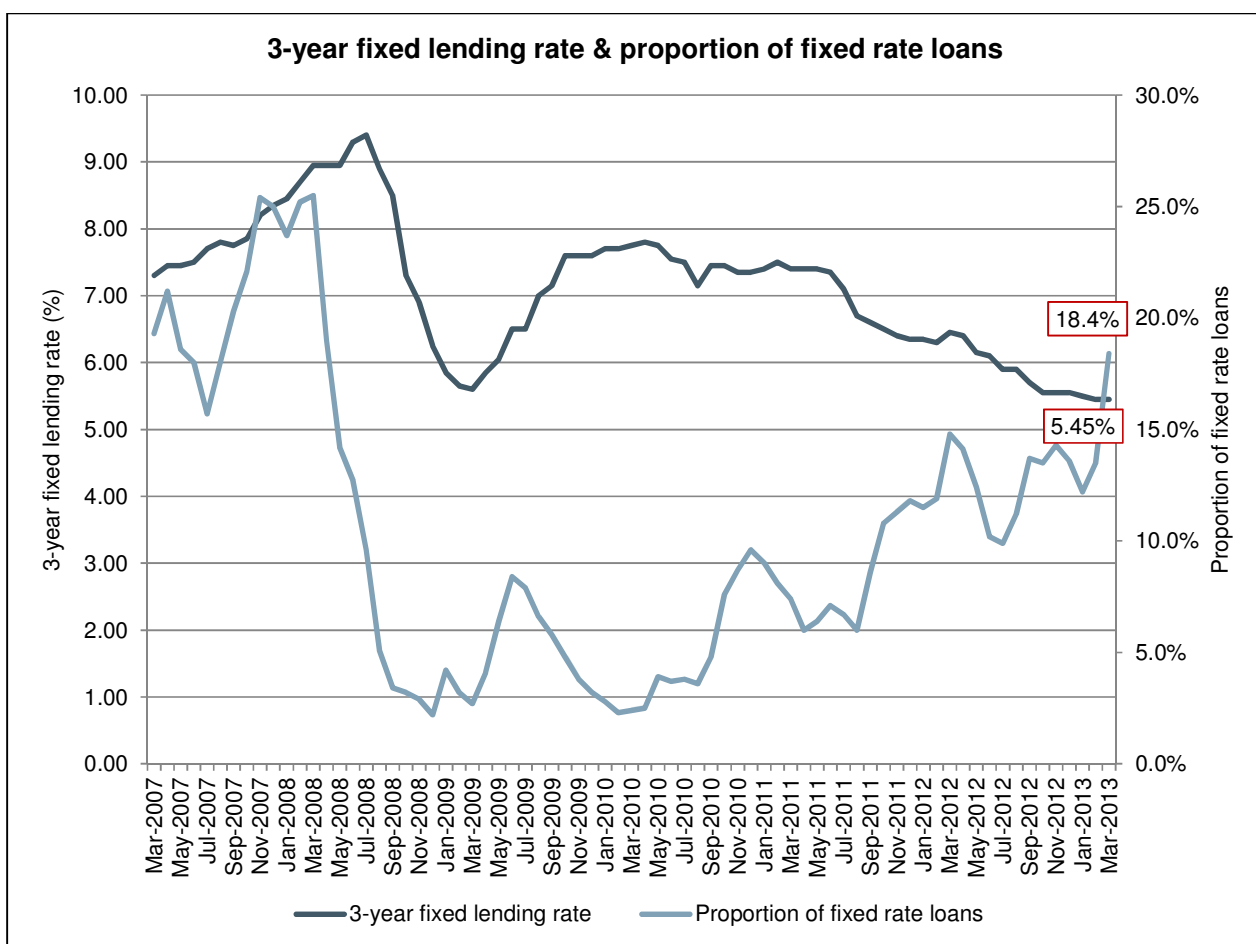


Source: RBA

### Fixed and variable loans

The 3-year fixed lending rate remained steady at 5.45% for the second month in a row in March 2013. This is the lowest figure in 23 years and an indication that the banks are expecting further rate cuts in the coming months.

Fixed rate loans as a proportion of all loans increased from 13.5% in February 2013 to 18.4% in March 2013. This may be due to the widening gap in variable and fixed rate loans or consumer conservatism and a desire for certainty in mortgage payments.

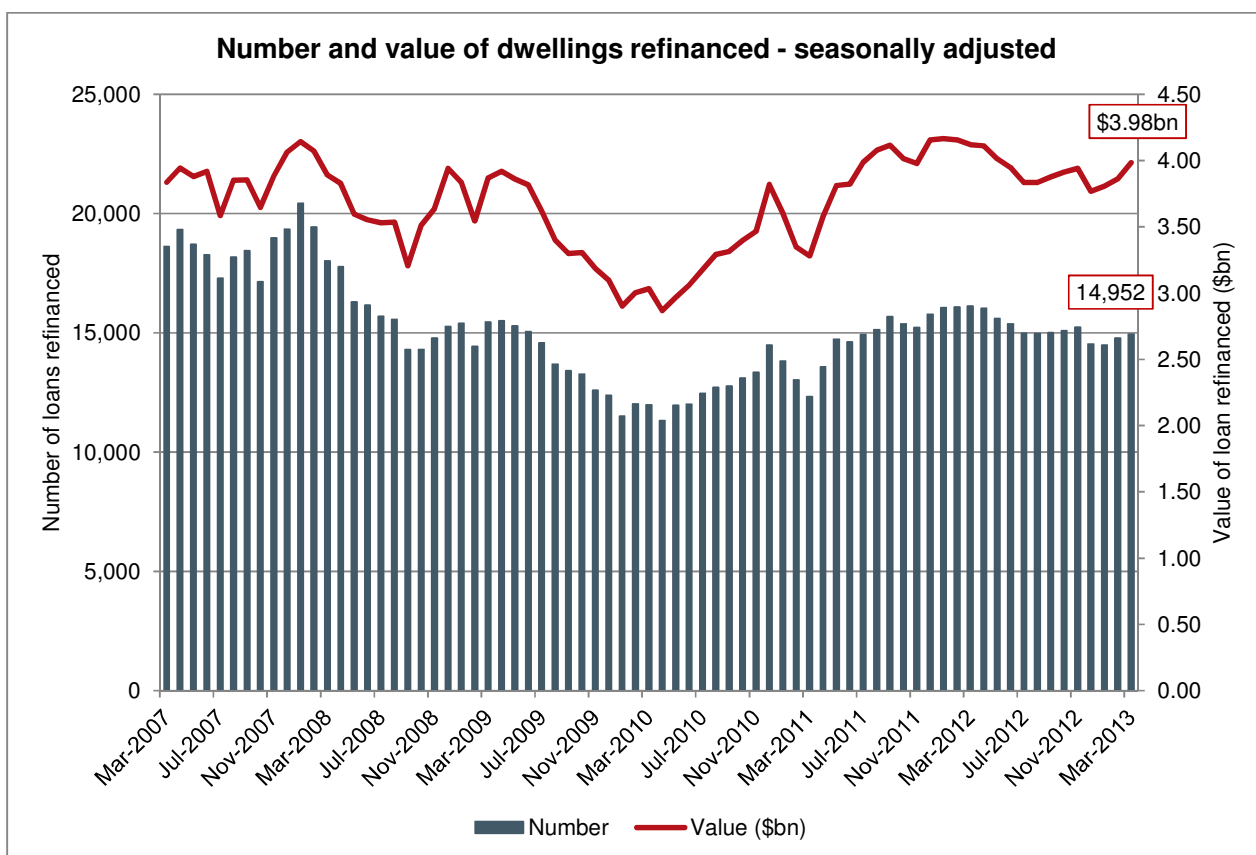


Source: ABS and RBA

## Dwellings Refinanced

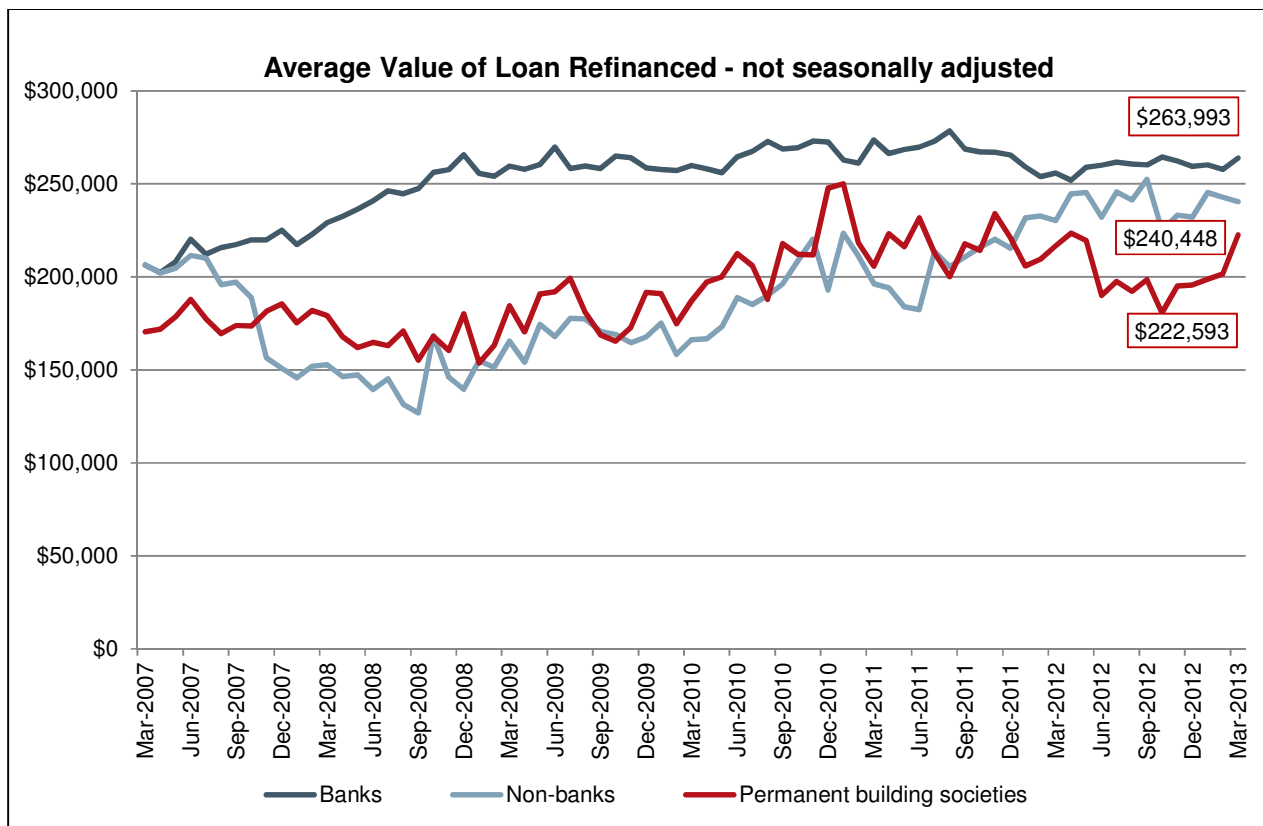
In seasonally adjusted terms, the number of dwellings refinanced increased by 1.1% between February and March 2013, from 14,787 to 14,952, while the value of dwellings refinanced increased by 3.2%, from \$3.86bn to \$3.98bn in the same period.

In year-on-year terms, the number of dwellings decreased by 7.2%, from 16,117 in March 2012, while the value of dwellings refinanced decreased by 3.3%, from \$4.12bn to \$3.98bn. This decline may be partly attributed to the fall in interest rates in the same period, with lower interest rates discouraging switching by decreasing borrowers' monthly repayments.



Source: ABS

Between February and March 2013, the average value of loans refinanced with banks increased by 2.4% from \$257,776 to \$263,993, while the average value of loans refinanced with non-banks decreased by 1.0% from \$242,886 to \$240,448. The average number of loans refinanced with permanent building societies increased by 10.5% between February and March 2013, from \$201,498 to \$222,593.



Source: ABS

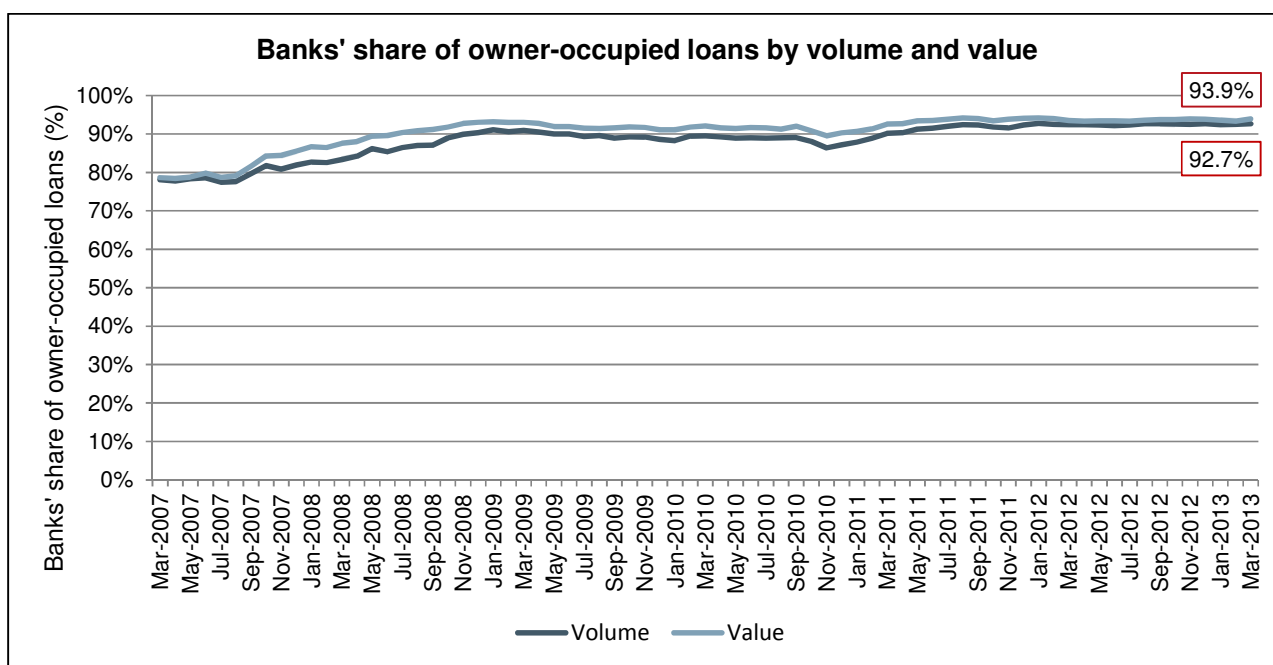
Refinancing activity (seasonally adjusted)		
	Number of dwellings refinanced	Value of dwellings refinanced (\$m)
<b>Mar-12</b>	16,117	4120.3
<b>Feb-13</b>	14,787	3862.0
<b>Mar-13</b>	14,952	3984.0
<b>Monthly % change</b>	1.1%	3.2%
<b>Year-on-year % change</b>	-7.2%	-3.3%

Source: ABS

## Market Share

### Owner-occupied lending commitments

Between February and March 2013, banks' combined market share of owner-occupied lending commitments increased in terms of volume by 0.2ppt from 92.5% to 92.7%, while in terms of value, banks' combined market share of owner-occupied lending commitments increased by 0.5ppt, from 93.4% to 93.9% over the same period. These growths in market share follow a 0.2ppt decrease in value for banks' share of owner-occupied lending commitments between January and February 2013.



Source: ABS

Value of banks' share of owner-occupied loans		
	Banks (\$m)	Total (\$m)
Mar-12	12,400.2	13,264.8
Market share at Mar-12	93.5%	-
Feb-13	13,128.0	14,062.4
Mar-13	13,979.2	14,882.2
Monthly % change	6.5%	5.8%
Market share at Mar-13	93.9%	-

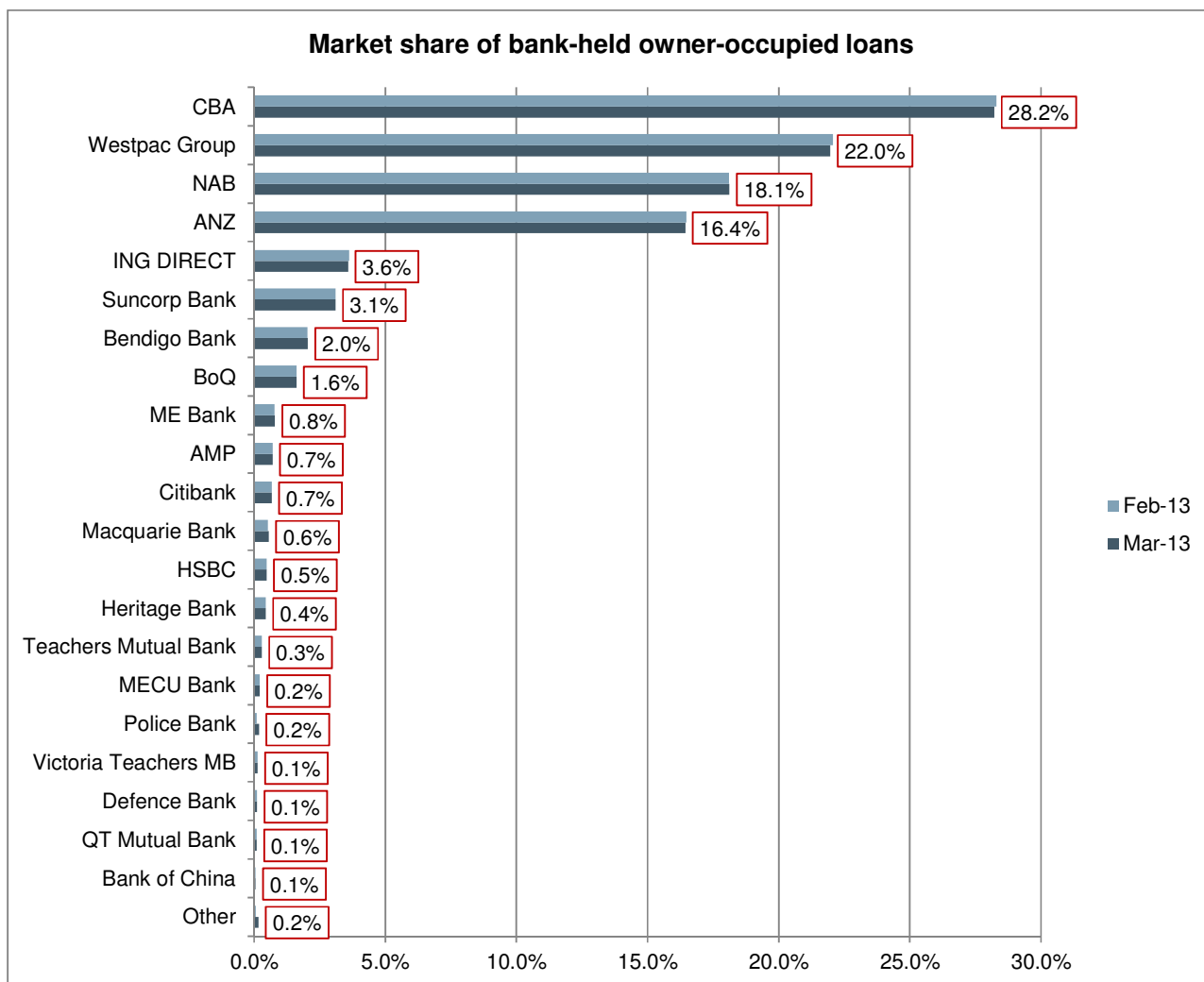
Source: ABS

### Bank-held owner-occupied loans

The total value of bank-held owner-occupied loans increased by 0.7% between February 2013 and March 2013, from \$768.2bn to \$773.6bn.

The combined market share of the 'Big 4' banks decreased by 0.2ppt, from 85.0% in February 2013 to 84.8% in March. This was due to a 0.1ppt decrease in market share of owner-occupied loans for ANZ, CBA and the Westpac Group.

Elsewhere, Macquarie Bank gained 0.1ppt of market share, from 0.5% to 0.6%, between February and March 2013, and the Police Bank also gained 0.1ppt of market share, from 0.1% to 0.2% in the same period.



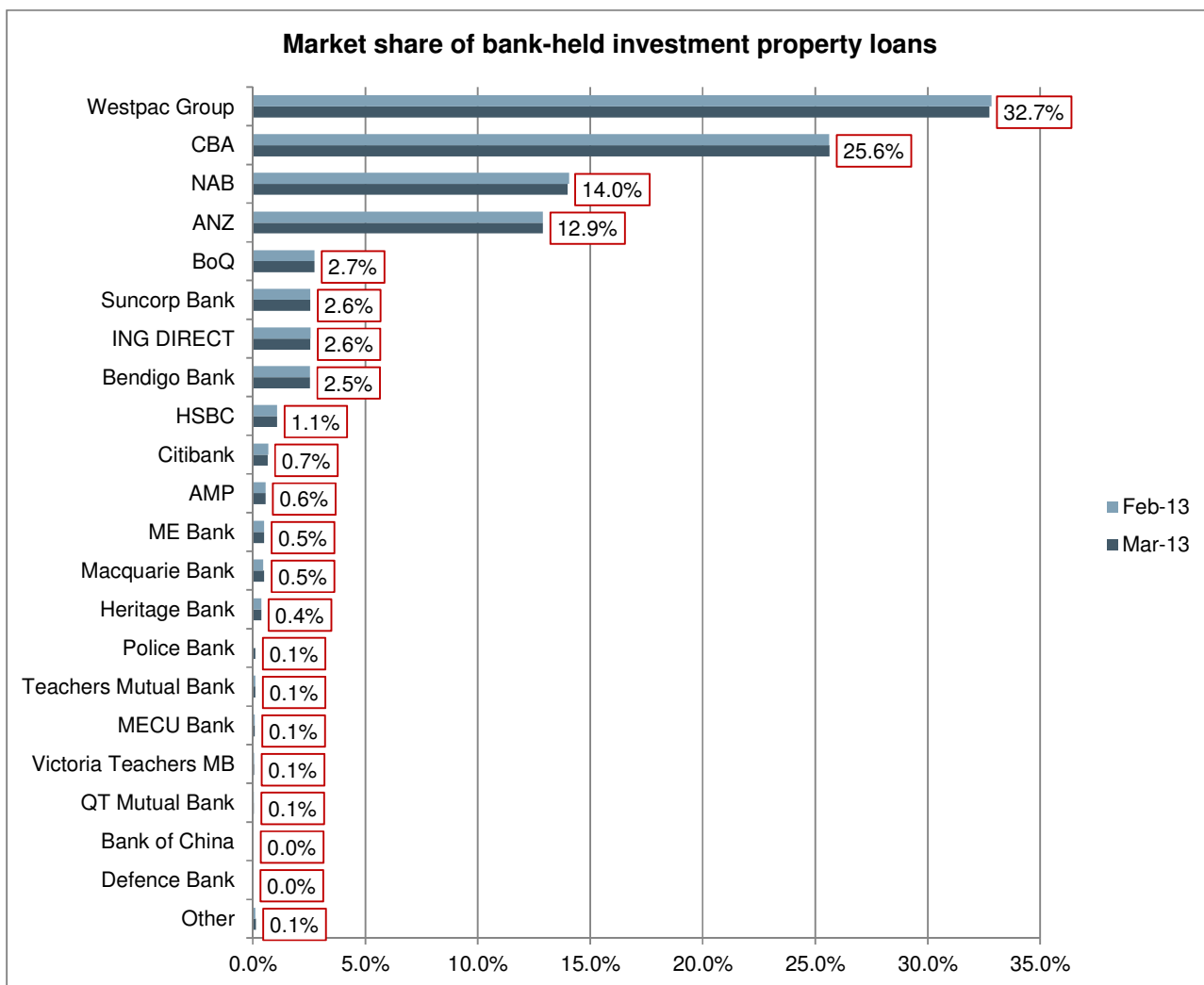
Source: APRA

## Bank-held investment property lending

The total value of bank-held investment property loans increased by 0.7%, from \$377.9bn in February 2013 to \$380.4bn in March 2013.

For bank-held investment property lending, the market share of the 'Big 4' banks decreased slightly from 85.4% to 85.3% between February and March 2013. This decrease was driven by a 0.1ppt decrease in both NAB's and the Westpac Group's market share of investment property loans.

Elsewhere, the Police Bank gained 0.1ppt, from 0.0% in February 2013 to 0.1% in March. Other lenders saw their market shares remain relatively steady between January and February 2013.

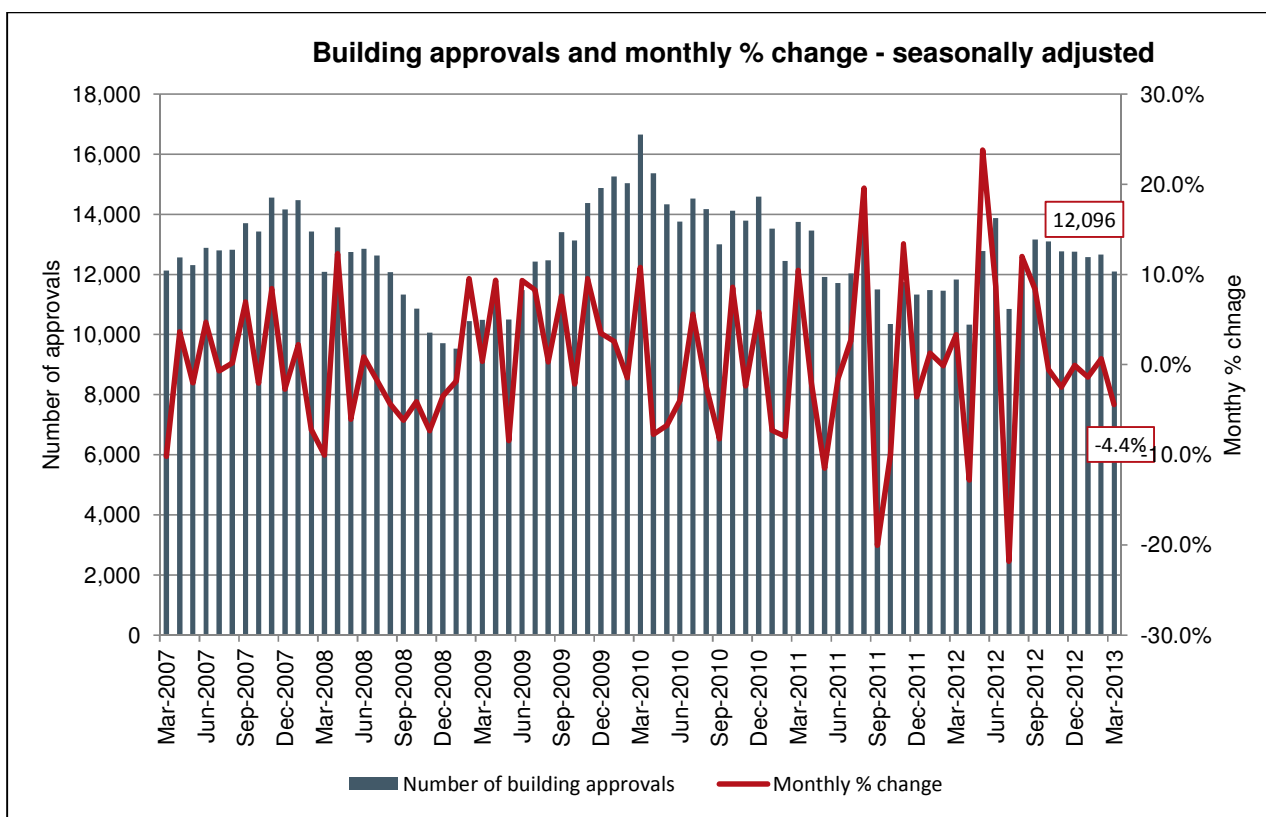


Source: APRA

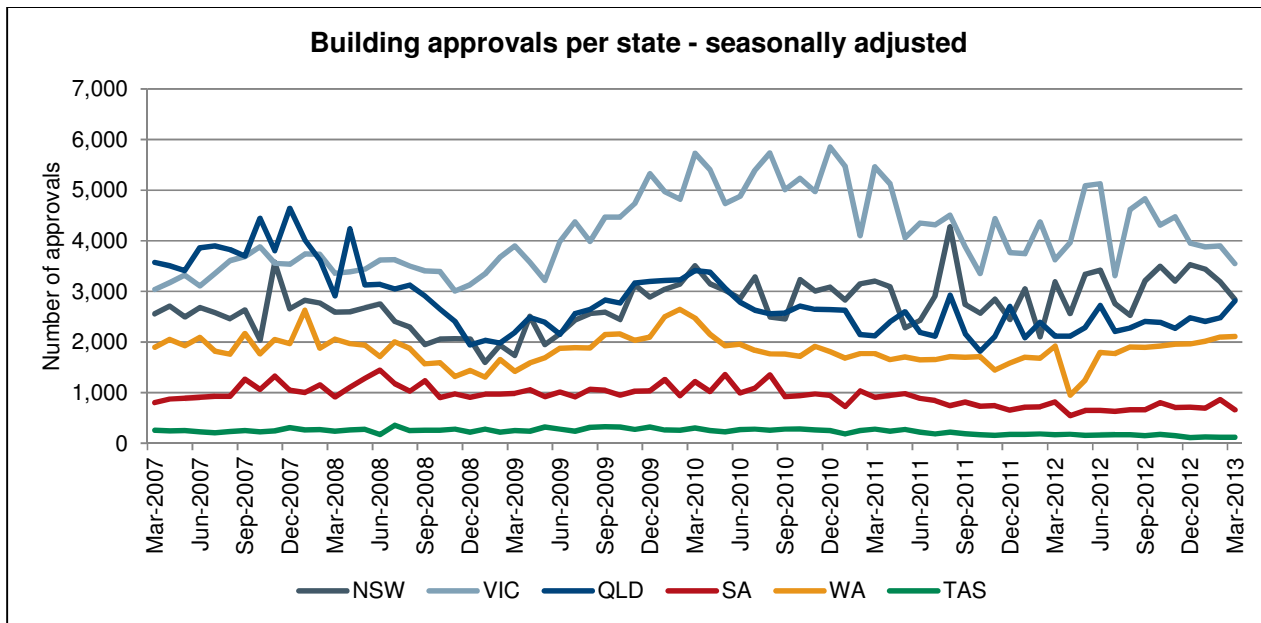


## Building approvals

After a 0.6% increase in the number of building approvals between January and February 2013, the number of building approvals decreased by 4.4% between February and March 2013, from 12,657 to 12,096. This decrease in building approvals Australia-wide was driven by decreases in the number of building approvals in New South Wales, Victoria and South Australia, which decreased by 10.9%, 9.1% and 23.6% respectively. Queensland was the only state which saw a great increase of 13.3% between February and March 2013, from 2,480 to 2,811. The number of building approvals in Western Australia increased by a mere 0.6%, while Tasmania remained unchanged with 123 building approvals in March 2013.



Source: ABS



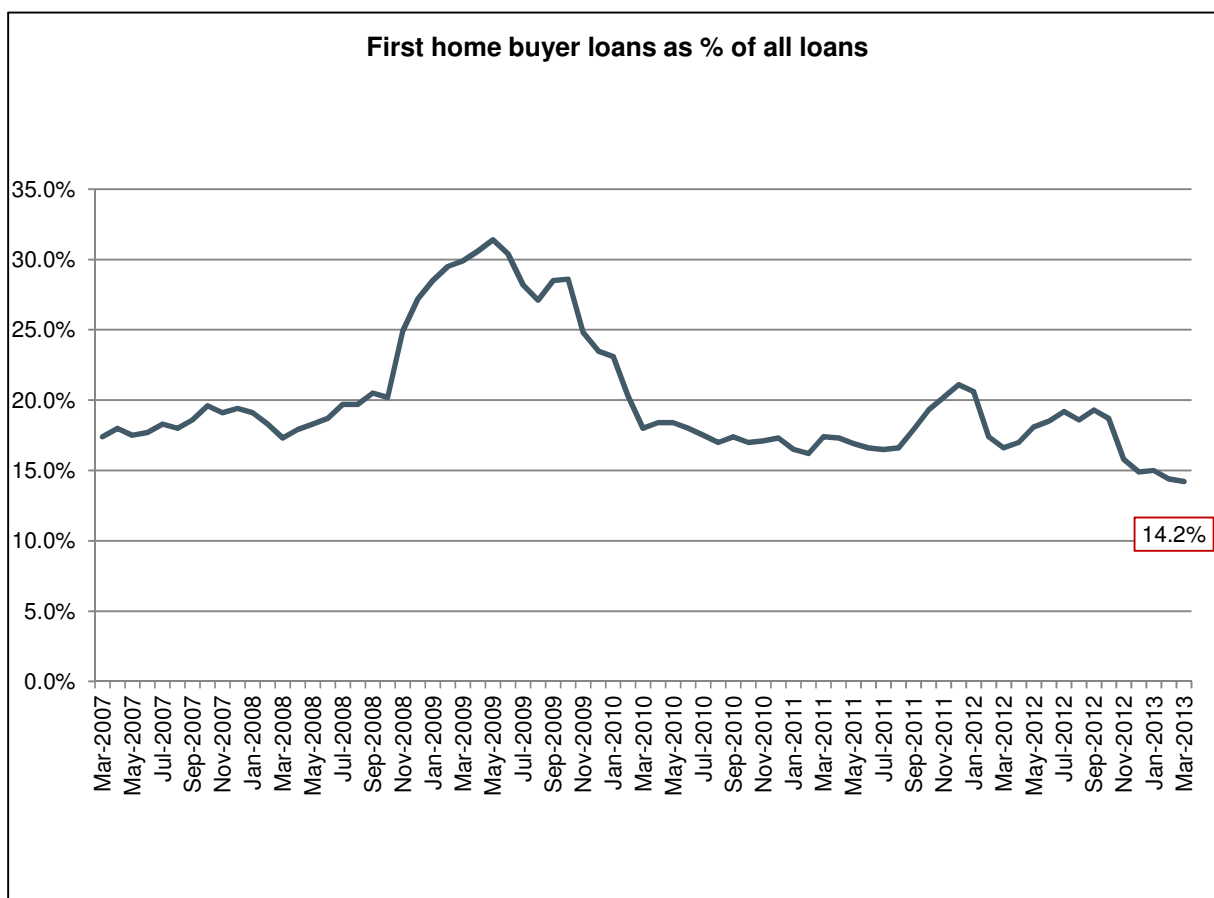
Source: ABS

Building approvals (seasonally adjusted)						
	NSW	VIC	QLD	SA	WA	TAS
<b>Feb-12</b>	2,103	4,373	2,389	723	1,681	188
<b>Jan-13</b>	3,442	3,882	2,410	699	2,015	129
<b>Feb-13</b>	3,191	3,899	2,480	866	2,098	123
<b>Mar-13</b>	2,844	3,546	2,811	662	2,110	123
<b>Monthly change</b>	-10.9%	-9.1%	13.3%	-23.6%	0.6%	0.0%
<b>Average monthly change (Past 12 months)</b>	4.2%	0.1%	1.7%	0.7%	4.2%	-2.7%

Source: ABS

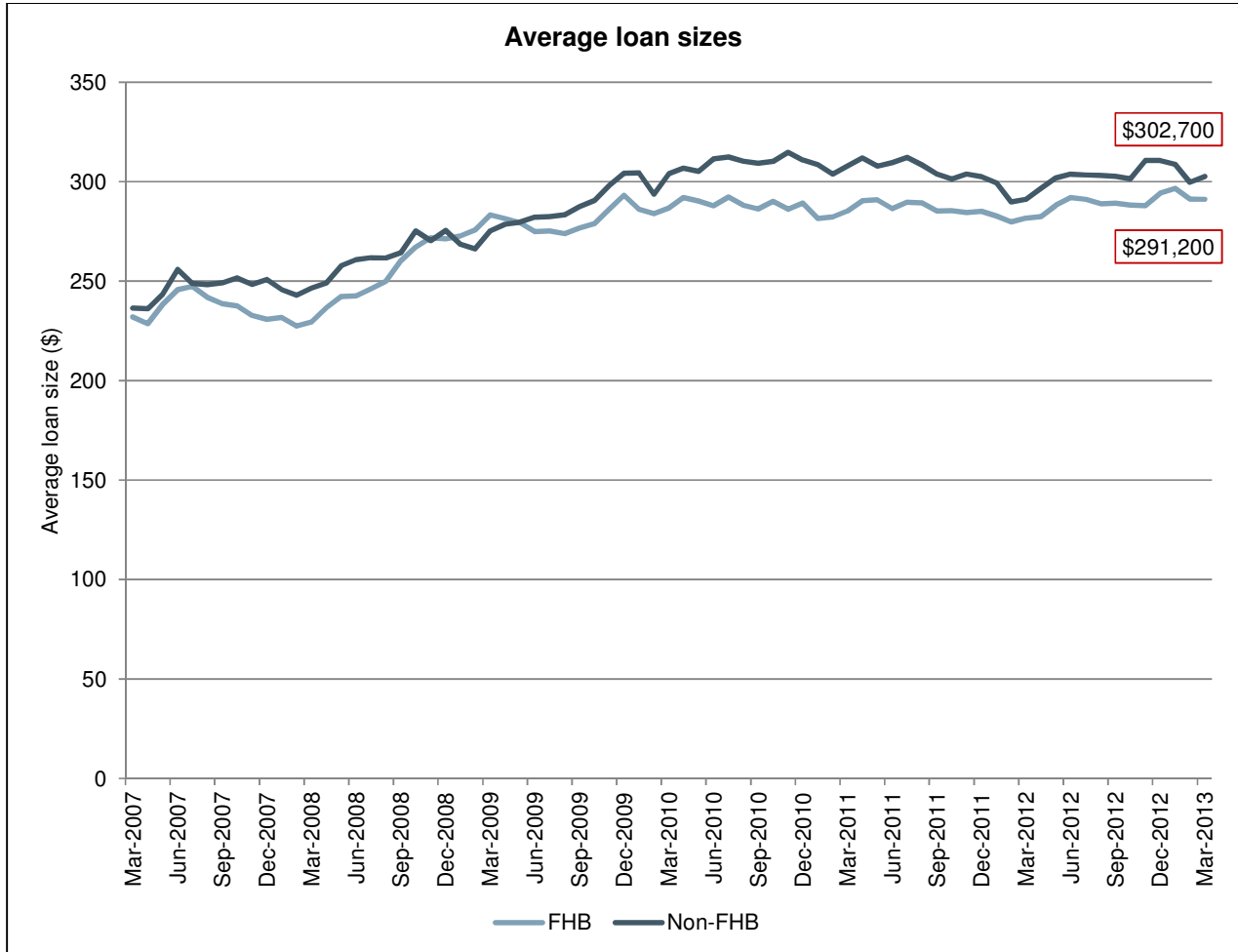
## First home buyers

The proportion of FHB loans relative to all housing loans fell by 1.4% between February and March 2013, from 14.4% to 14.2%. FHB loans as a proportion of all housing loans have been declining since October 2012, when reductions to the FHB incentives were made in New South Wales and Queensland.



Source: ABS

Between February and March 2013, the average home loan size for FHBs remained unchanged at \$291,200. Average home loan sizes for non-FHBs increased over the same period, from \$299,700 to \$302,700. In year-on-year terms, the average home loan size for FHBs grew by 3.3% in the year ending March 2013, while the average home loan size for non-FHBs increased by 3.9%.



Source: ABS