

Interest Rates

At its meeting on 4 November 2008, the Reserve Bank Board reduced the cash rate target by 75 basis points to 5.25%. Of note in announcing the decision the RBA Governor stated:

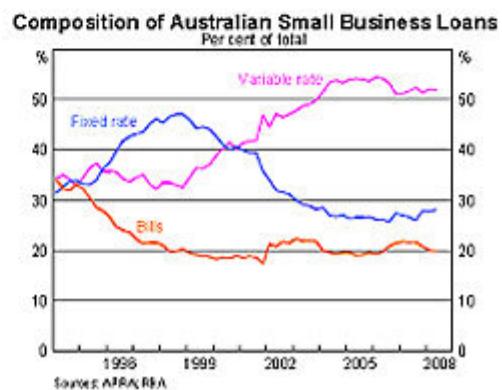
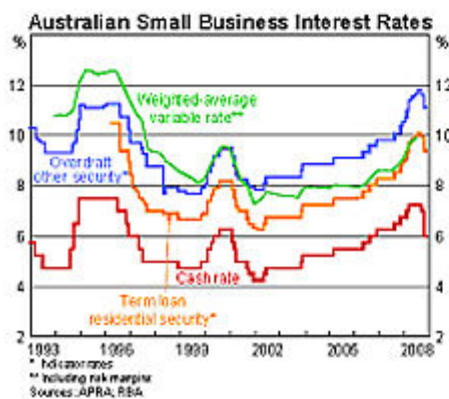
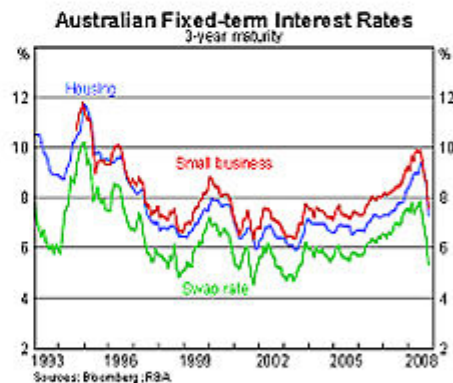
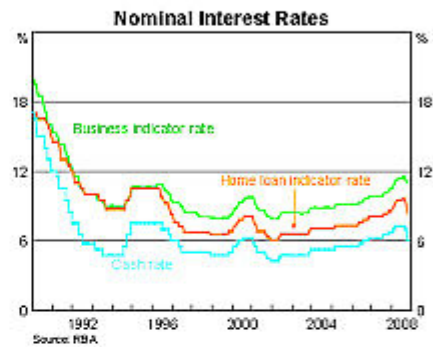
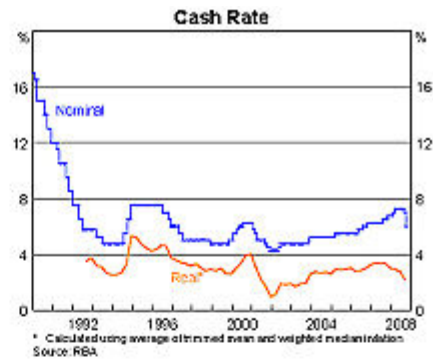
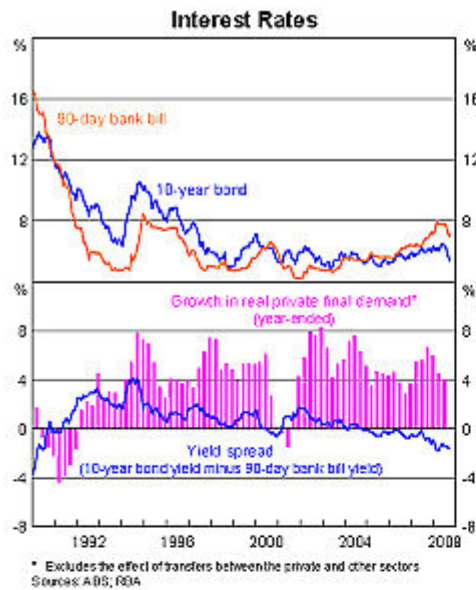
World financial markets have remained turbulent over the past month. Global equity prices have been volatile and fell further in net terms, and there have been significant exchange rate movements, including a sharp depreciation of the Australian dollar. A number of governments have announced measures to strengthen their financial systems, which should help to stabilise conditions over time.

International economic data have continued to point to significant weakness in the major industrial economies, and there have been further signs that China and other parts of the developing world are slowing as well. These conditions have contributed to further falls in world commodity prices.

In Australia, the overall path of economic activity appears until recently to have been close to what the Board had expected, with a needed moderation in demand occurring after a period of earlier strength. Recent reductions in borrowing rates, the depreciation of the exchange rate and the fiscal stimulus announced in October will work to assist growth in the period ahead, but deteriorating international conditions and falling commodity prices will have a dampening influence. On balance, it appears likely that spending and activity will be weaker than earlier expected.

Consumer price inflation in Australia remained high in the September quarter. As expected, CPI inflation in year ended terms picked up to 5 per cent, while underlying measures were just over 4½ per cent. Nonetheless, capacity pressures are now easing and, given the outlook for more moderate growth in demand and activity, it is reasonable to expect that inflation in Australia will soon start to fall. Global disinflationary forces will assist in this regard, though the depreciation of the exchange rate means that the decline of inflation to the target could take longer than would otherwise be the case.

Weighing up these international and domestic developments, the Board judged that a further significant reduction in the cash rate was warranted. The Board will continue to monitor developments and make adjustments as needed to promote sustainable growth consistent with achieving the 2–3 per cent inflation target over time.



Housing Finance September 2008

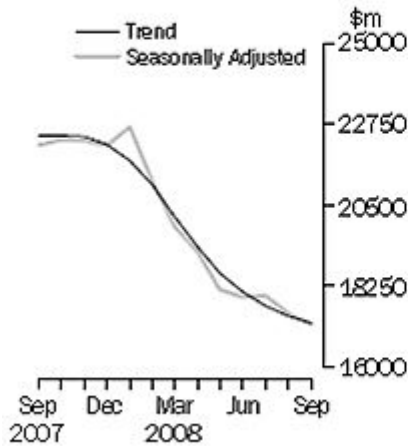
Source: ABS Cat No 5609.0

On a seasonally adjusted basis the national value of housing loan commitments (owner occupation) in September was \$11.891 billion, down by 1.9% on August.

On a state basis, the respective statistics were: NSW \$3.809 billion (-3.6%) Victoria, \$2.752b (-0.8%), Qld, \$2.523b(+1.6%), SA, \$0.803b (-4.3%), WA, \$1.533b (-1.9%), Tas, \$167m (-1.2%), NT, \$87m(+4.8%), ACT, \$194m (+4.9%).

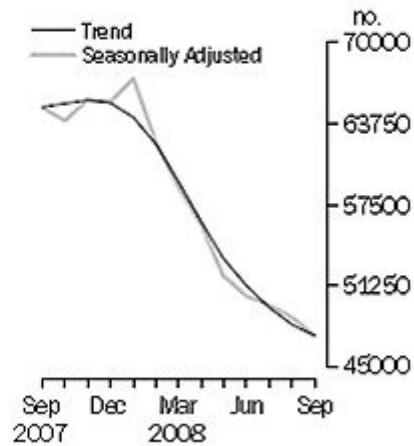
Value of dwelling commitments

Total dwellings



No. of dwelling commitments

Owner occupied housing

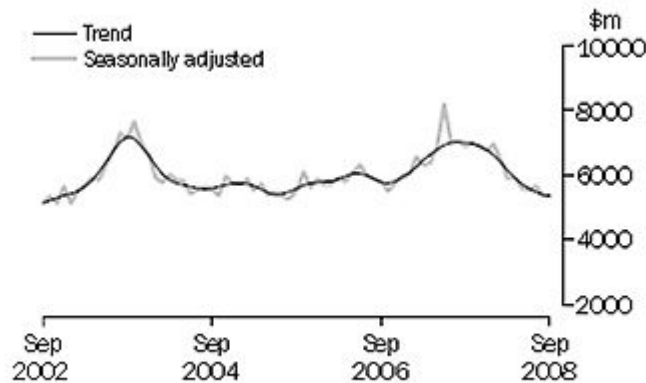


Investment Housing - Total

Source: ABS Cat No. 5609.0

The value of investment housing loan commitments (\$5.317billion, seasonally adjusted) fell by 1.1% on August. The drivers of this result were a fall in the construction of dwellings for rent or resale (-26.4%), a rise in the purchase of dwellings for rent or resale by individuals (+1.4%) and by others (+5.2%)

The total value of housing finance commitments (\$17.209b) fell by 1.6% on August.



First Home Buyer Commitments

First Home Buyer commitments (of all owner occupier commitments) increased from 18.6% in August to 19.7% in September.

Fixed Rate Loans (2 years or more)

Fixed rate loans were 3.3% of all owner occupier loans, down from 4.6% in August.

Average Loan

The average loan size rose from \$249,300 to \$251,300. Average loans in each state/territory were: NSW, \$268,900, Vic, \$241,900; Qld \$259,900; SA, \$205,000; WA, \$253,100; Tas, \$178,700; NT, \$238,200; ACT \$274,400.

Re-financing

The value of refinancing of established dwellings amounted to 31.1% of established dwelling loans in September.

Outstanding Housing Loan Balances

Source: RBA

- End September 2008

Outstanding housing loan balances at end September 2008 were \$982.8 billion inc. securitised compared to \$973.5b inc. securitised in August 2008 and \$893.1b inc. securitised in September 2007.

Business Finance - September 2008

Sources: ABS Lending Finance Cat. 5671.0

On a seasonally adjusted basis, the value of Commercial Finance commitments in September 2008 was \$34.124b up 14.1% on August. The value of lease finance (\$515m) fell by 4.0% on July.

The break up of the results for September against August (seasonally adjusted) is:

Commercial (fixed loans): \$21.153b (+20.2%)

Commercial (revolving credit): \$12.971 (+5.4%)

Lease finance: \$0.515b (+4.0%)

The category break up in original figures for September 2008 is:

Commercial (fixed): \$20.492b

Construction finance \$1.169b

Purchase of real property \$7.316b

Wholesale finance \$0.650b

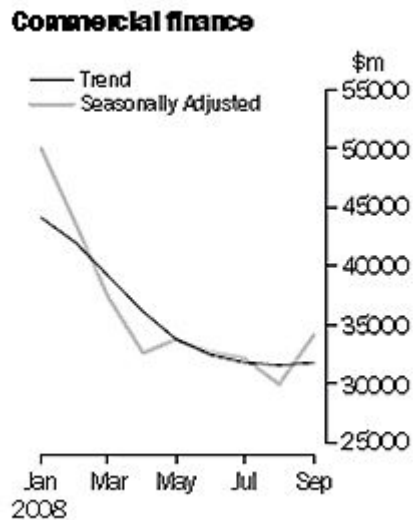
Purchase of plant and equipment \$1.144b

Refinancing \$1.297b

Leasing: \$507m

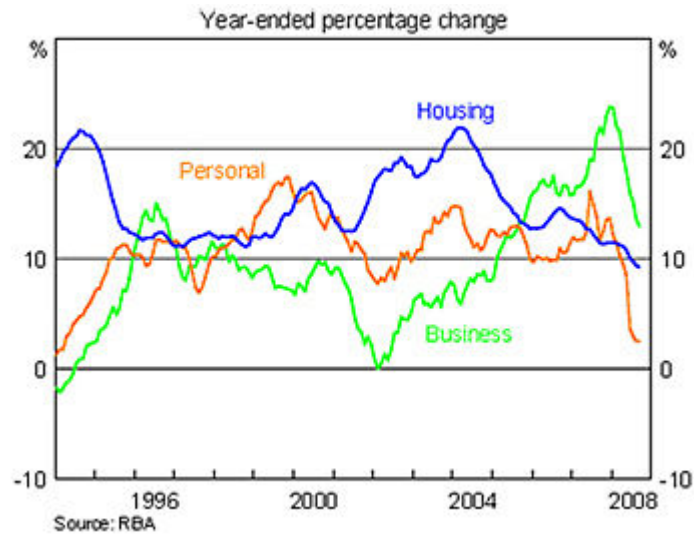
Plant and equipment \$235m

Motor vehicles \$272m



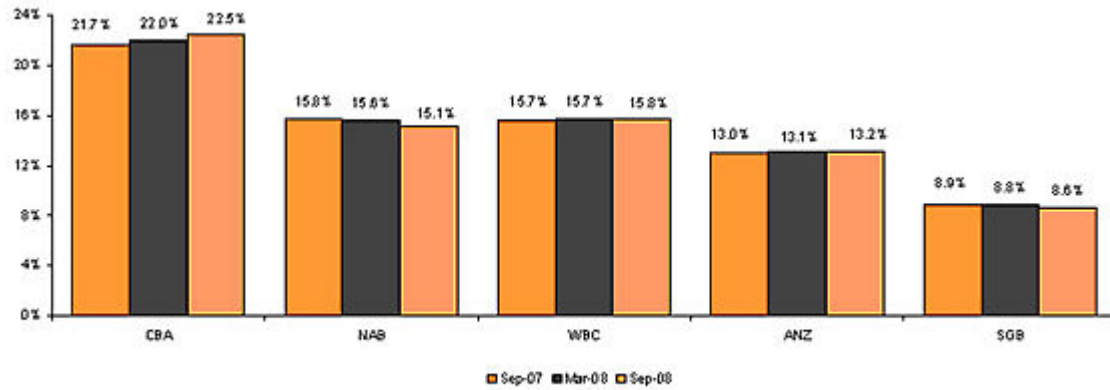
Credit By Sector

Source: RBA



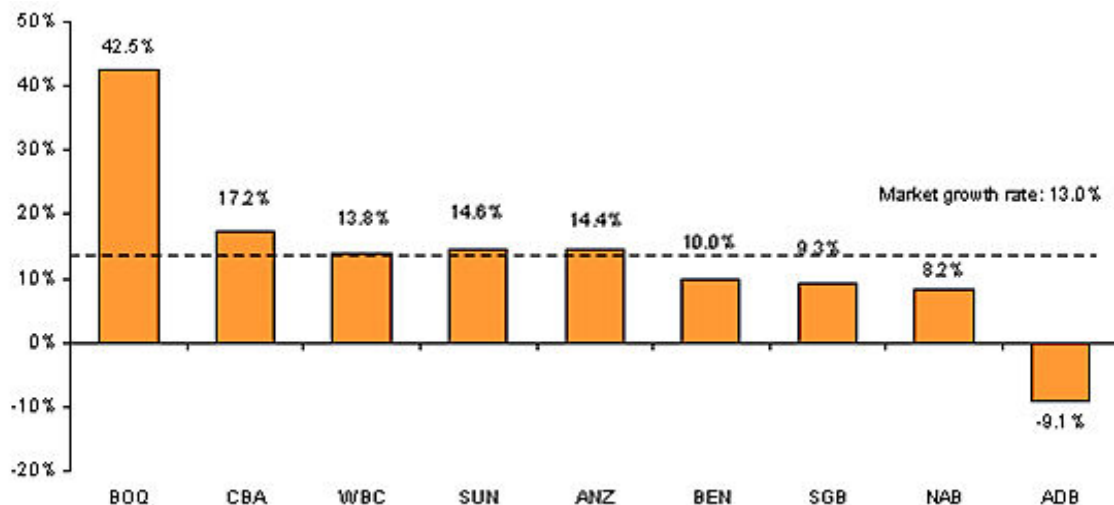
APRA Lending Statistics Sept 2008

Total housing market shares –September 2007, March 2008 and September 2008



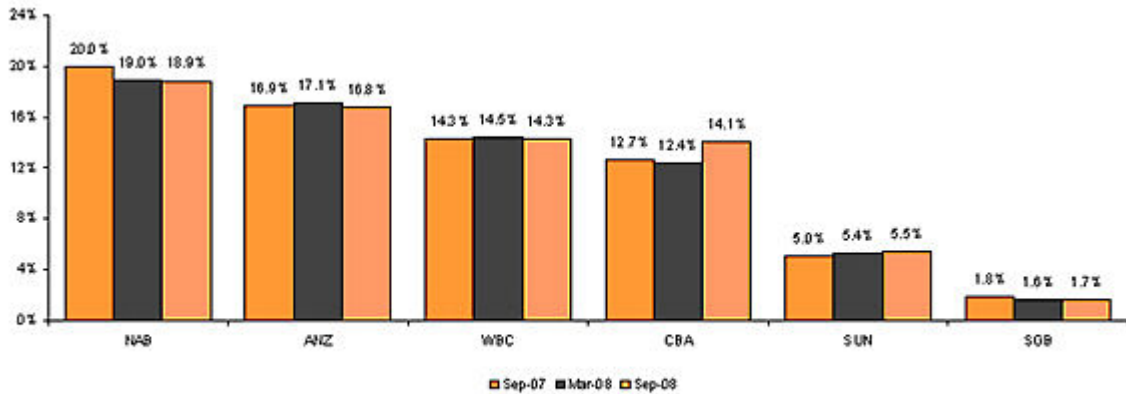
Housing Lending Growth Rates

- Since September 2007



Business Lending Market Shares

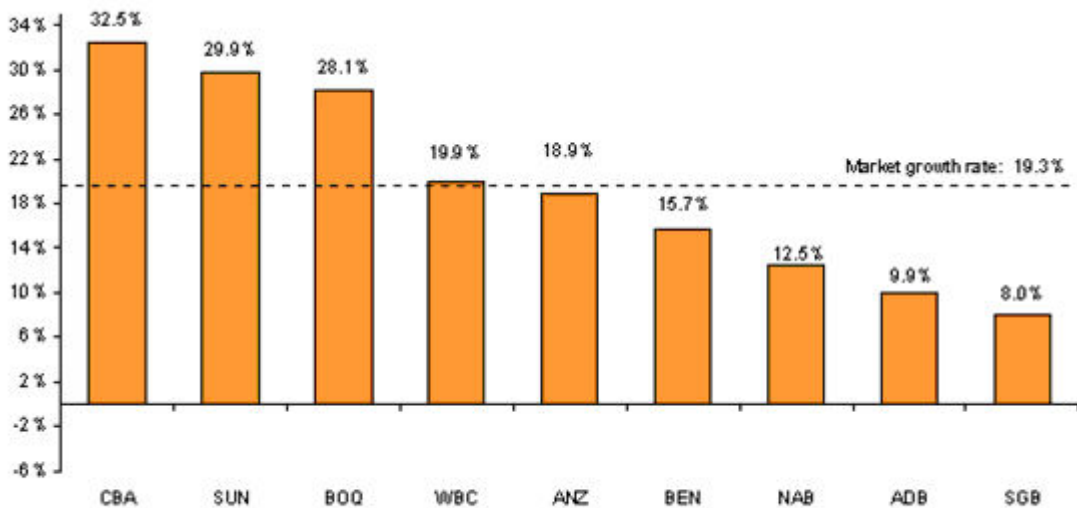
– September 2007, March 2008 and September 2008



Note: WBC and SGB July and August stats are not consistent with previous issues due to reclassification by the banks.
Source: APRA, ABN AMRO

Business Lending Growth Rates

- Since September 2007



Source: APRA, ABN AMRO

Consumer Price Index

Year to September 2008: +5.0%.

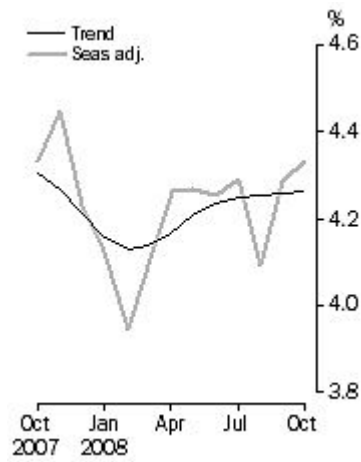
Retail Sales

Australian retail sales in September 2008 were up by 2.3 % on September 2007 (trend figures) and the trend estimate for September 2008 showed a 0.2% increase on August 2008.

Unemployment Rate

Source: ABS

The unemployment rate (seasonally adjusted), for October 2008 was 4.3%, unchanged from September.



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