

THE AUSTRALIA CONSUMER CONFIDENCE HAS BEEN BOOSTED BY RATE CUT AS HOME LENDING ADVANCES

In September, Australian consumer confidence jumped after the Reserve Bank cut interest rates for the very first time in 31 months, and the home-loan approvals rose, buttressing the case for a quicker economic growth sometime next year. According to an October 31-November 6 poll released today of 1,200 consumers, A Westpac Banking Corp (WBC) and Melbourne Institute index of consumer sentiment climbed 6.3 percent to 103.4, the highest level its been since May. A government report shows that the number of loans granted to build or buy houses and apartments jumped 2.2 percent from August, actually the sixth straight monthly gain. On Nov. 1, home-loan growth may accelerate after RBA Governor Glenn Stevens lowered the developed world's highest benchmark rate to 4.5 percent from 4.75 percent amid reduced inflation pressure and a "subdued" housing market. In a government report from last week, it said that house prices dropped 1.2 percent in the three months through the month of September, this is the third straight quarterly decline. "The lending market was undergoing a marked recovery" before the cut rate, said Adam Carr, who is a senior economist in Sydney at ICAP Australia Ltd., a unit of the world's biggest inter-dealer broker. "The fact that lending was recovering at a rapid pace through all of this global turmoil is a testament to how resilient the market actually is." The survey that was released earlier today showed the consumer sentiment climbed for a third straight month. It plunged to the lowest level in two years in August, as turmoil engulfed global financial markets and threatened economic growth. At 1:03 p.m. in Sydney, the Australian dollar was a little changed after the home-loans reports, trading at \$1.0377 from \$1.0380 before the actual release of the data. After Steven's first rate cut since April of 2009, the nation's four biggest banks, which include Commonwealth Bank of Australia (CBA), Australia & New Zealand Banking Group Ltd. (ANZ), Westpac and National Australia Bank Ltd. (NAB), reduced home-loan rates for customers. There is an 84 percent chance that Stevens will cut the overnight cash rate target by another quarter percentage point at the next meeting in December. The approvals exceeded the median estimate of economists for a 1.5 percent gain, today's home-loans report showed. In September, the total value of loans rose 1 percent to \$21.1 billion (roughly around \$21.9 billion). The report showed that the value of lending to owner-occupiers gained 0.7 percent. There was a 1.9 percent advance in the value of loans to investors who plan to rent or resell homes. On Nov. 4 the RBA said in a quarterly statement that Australia's housing market "remains weak." "The stock of unsold homes has not declined significantly and housing construction activity continues to be at very low level," said the central bank in the statement on monetary policy. "Population growth is, however, gradually reducing the underlying surplus of houses and there are some signs that house prices have stabilized, particularly in those areas



that were less affected by overbuilding in the mid-2000s."