

Interest Rates

At its meeting on 4 August 2009, the Reserve Bank Board decided to leave the cash rate target at 3 %. The Governor provided the following rationale for the decision:

With considerable economic stimulus in train around the world, the global economy is stabilising after an earlier sharp contraction in demand. Downside risks to the global outlook have diminished, though they have not disappeared and most observers expect only modest growth overall. There is tentative evidence that the US economy is approaching a turning point, but conditions in Europe are still weakening. Growth in China, in contrast, has been very strong in recent months, which is having an impact on other economies in the region and on commodity markets.

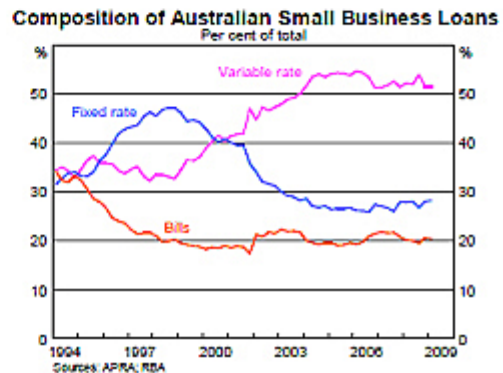
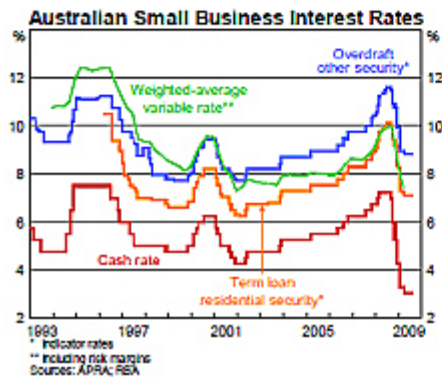
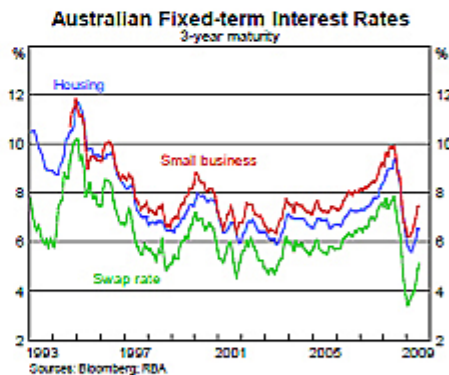
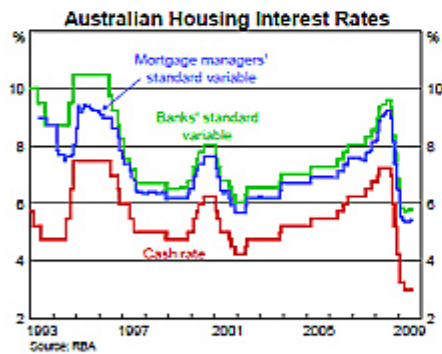
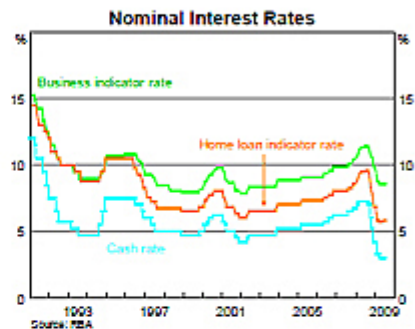
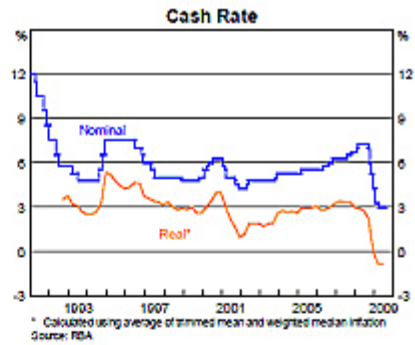
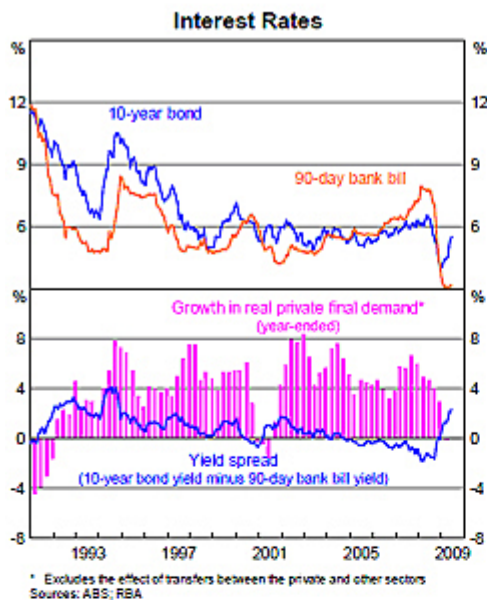
Sentiment in global financial markets has continued to improve. Nonetheless, credit conditions remain difficult, and the effects of economic weakness on asset quality present a challenge. For the global economic recovery to be durable, continued progress in restoring balance sheets is essential.

Economic conditions in Australia have been stronger than expected a few months ago, with both consumer spending and exports notable for their resilience. Measures of confidence have recovered a good deal of ground. This suggests that the risk of a severe contraction in the Australian economy has abated. The most likely outcome in the near term is a period of sluggish output, with consumer spending likely to slow somewhat and investment remaining weak. Stronger dwelling activity and public spending will start to provide more support to overall demand soon, and growth is likely to firm into 2010.

Inflation is gradually moderating, given the earlier decline in energy and commodity prices, and the effects of weaker demand on prices and labour costs. Given the current prospects for demand and output, this moderation should continue over the year ahead. The higher exchange rate over recent months will assist this moderation, at the margin.

Housing credit has been solid, and dwelling prices have risen over recent months. Business borrowing, on the other hand, has been declining, as companies have postponed investment plans and sought to reduce leverage in an environment of tighter lending standards. Large firms have had good access to equity capital, and access to debt markets appears to be improving.

The Board's judgment is that the present accommodative setting of monetary policy is appropriate given the economy's circumstances. The Board will continue to monitor how economic and financial conditions unfold and how they impinge on prospects for sustainable growth in economic activity and achieving the inflation target.



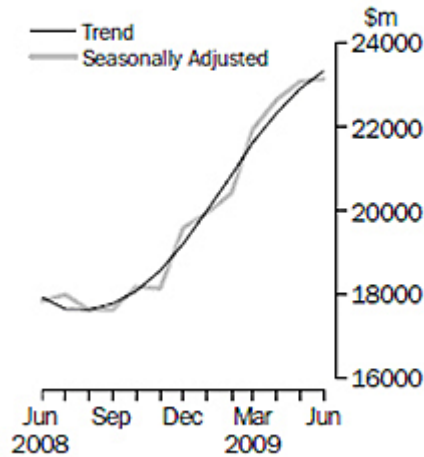
Housing Finance June 2009

Source: ABS Cat No 5609.0

On a seasonally adjusted basis the national value of housing loan commitments (owner occupation) in June was \$17.277 billion, up 1.0% on May. On a state basis, the respective statistics were: NSW \$5.644 billion (-0.2%), Victoria, \$3.843b (+2.1%), Qld, \$3.736b (+0.9%), SA, \$1.174b (-0.6%), WA, \$2.197b (+4.8%), Tas, \$251m (+10.1%), NT, \$132m (-9.0%), ACT, \$317m (4.6%).

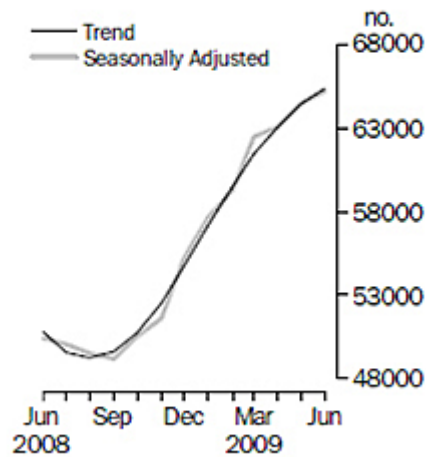
Value of dwelling commitments

Total dwellings



No. of dwelling commitments

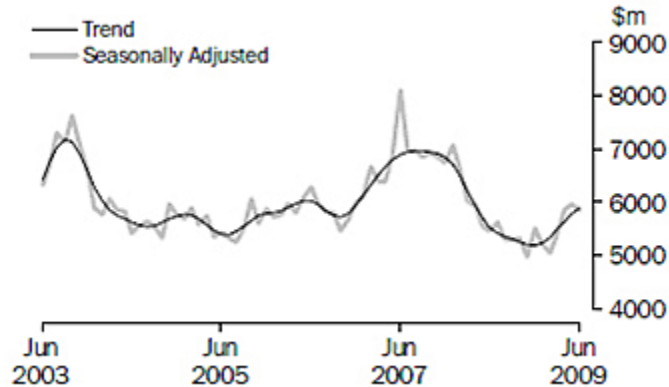
Owner occupied housing



Investment Housing - Total

Source: ABS Cat No. 5609.0

The value of investment housing loan commitments (\$5.860 billion, seasonally adjusted) fell by 1.8% on May. The total value of housing finance commitments (\$23,137b) rose by 0.3% on May.



First Home Buyer Commitments

First Home Buyer commitments (of all owner occupier commitments) fell from 28.5% in May to 27.1% in June.

Fixed Rate Loans (2 years or more)

Fixed rate loans were 8.0% of all owner occupier loans, up from 6.2% in May.

Average Loan

The average loan size was down from \$265,400 to \$264,300. Average loans in each state/territory were: NSW, \$283,800, Vic, \$255,100; Qld \$265,800; SA, \$212,300; WA, \$280,600; Tas, \$177,300; NT, \$255,300 ACT \$262,900.

Re-financing

The value of refinancing of established dwellings amounted to 28.3% of established dwelling loans in June.

Outstanding Housing Loan Balances

Source: RBA

- End June 2009 Outstanding housing loan balances at end June 2009 were \$1,044.6 billion inc. securitised compared to \$1,028.3b inc. securitised in May 2009 and \$963.9b inc. securitised in June 2008.

Business Finance - June 2009

Sources: ABS Lending Finance Cat. 5671.0

On a seasonally adjusted basis, the value of Commercial Finance commitments in June 2009 was \$27.925b down 1.5% on May. The value of lease finance (\$412m) fell by 5.7% on May.

The break up of the results for June against May (seasonally adjusted) is:

Commercial (fixed loans): \$18.481b (-2.5%)

Commercial (revolving credit): \$10.013b (-17.3%)

Lease finance: \$0.331b (-17.2%)

The category break up in original figures for June 2009 is:

Commercial (fixed): \$22.624

Construction finance \$2.154b

Purchase of real property \$7.718b

Wholesale finance \$1.255b

Purchase of plant and equipment \$2.007b

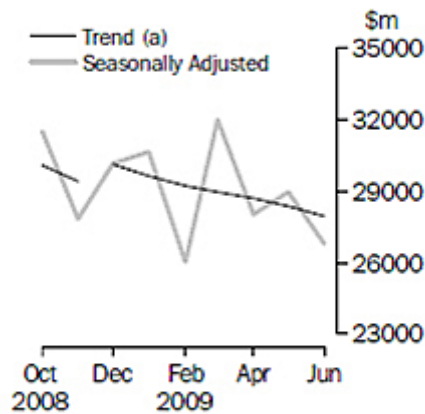
Refinancing \$1.996b

Leasing: \$427m

Plant and equipment \$249m

Motor vehicles \$178m

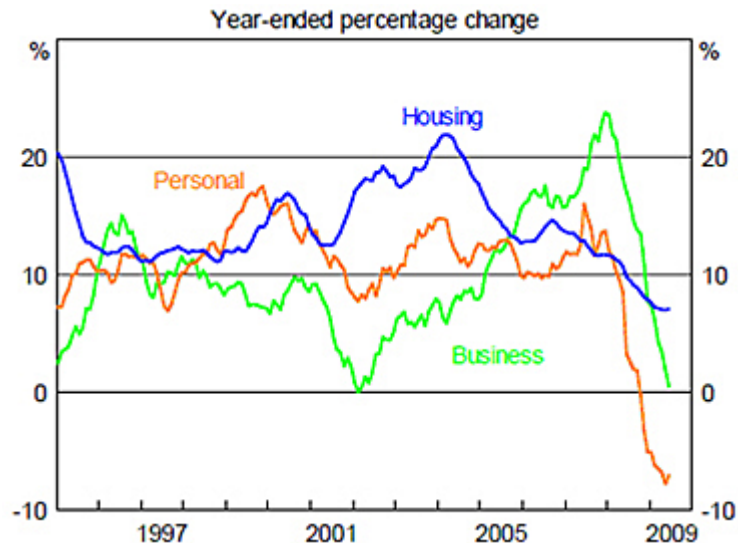
Commercial finance



(a) A trend break has been applied to December 2008.

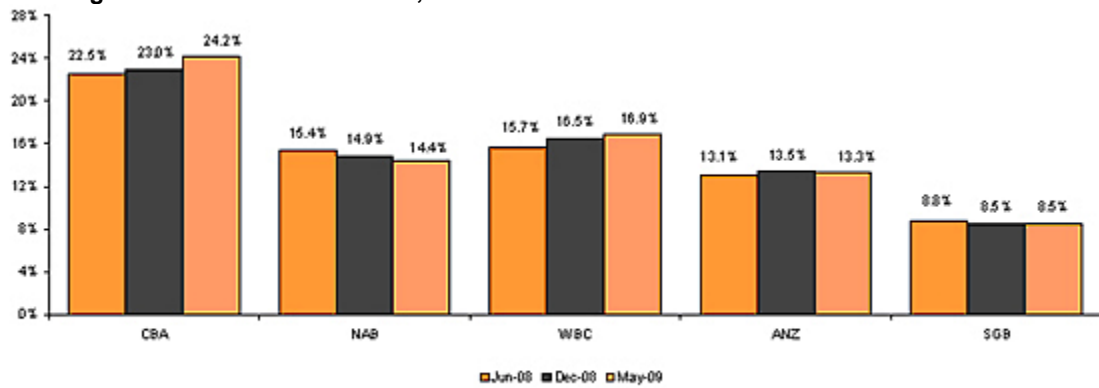
Credit By Sector

Source: RBA



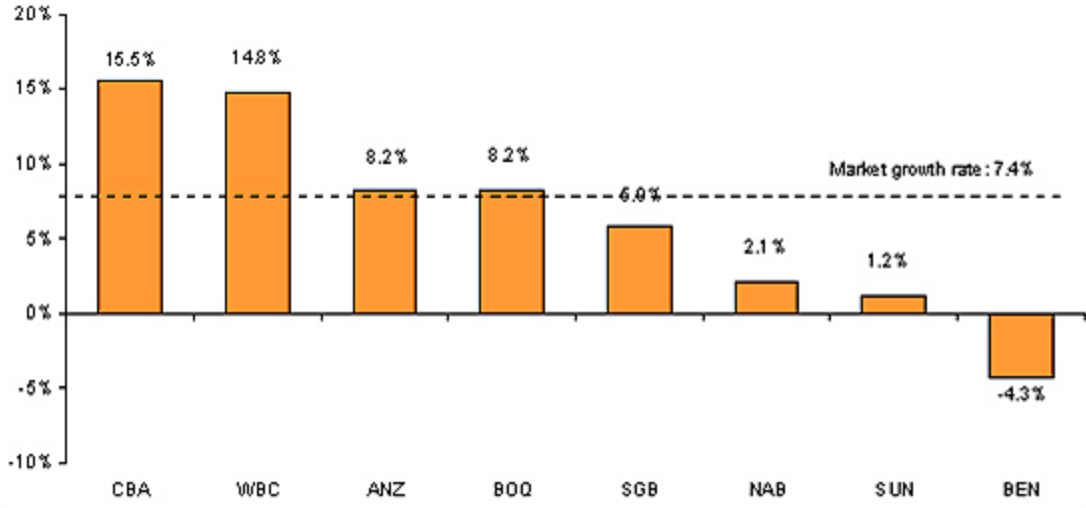
APRA Lending Statistics June 2009

Total housing market shares – June 2008, December 2008 and June 2009



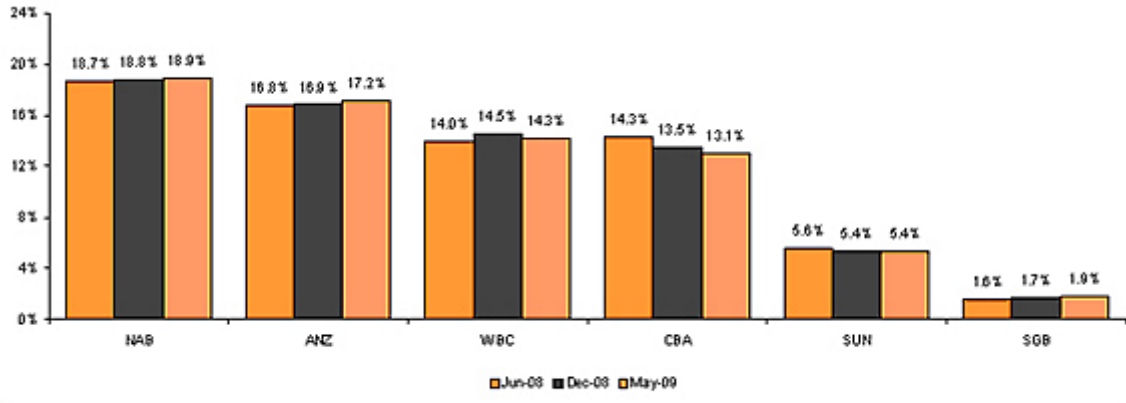
Note: WBC has reclassified some housing and deposits data in September 2008.
Source: APRA, RBS

**Housing Lending Growth Rates
- Since September 2008**



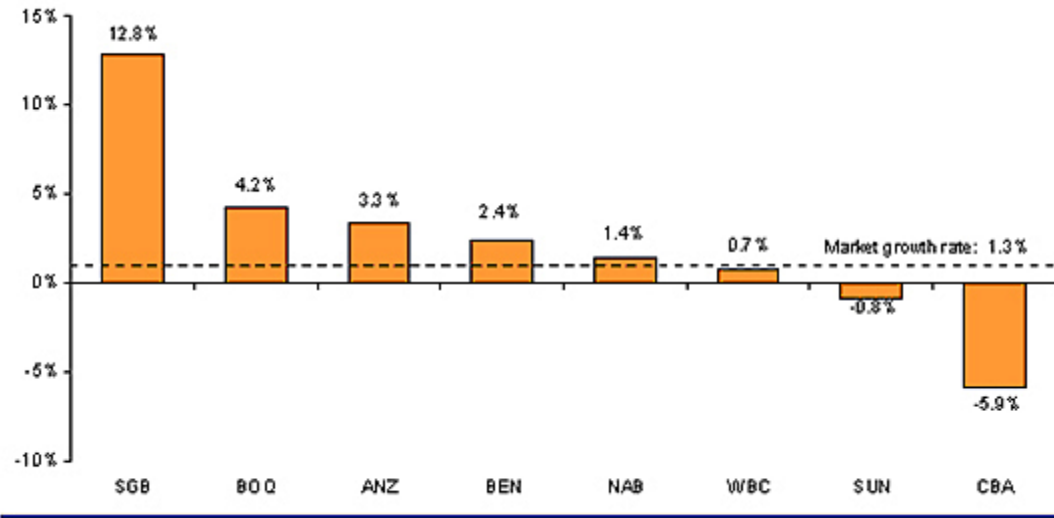
Source: APRA, RBS

Business Lending Market Shares - June 2008, December 2008 and May 2009



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

Business Lending Growth Rates - Since September 2008



Source: APRA, RBS

Consumer Price Index

Year to June 2009: +1.5%.

Retail Sales

Australian retail sales in June 2009 were up by 7.9% on June 2008 (original figures) and the seasonally adjusted figure for June 2009 showed a 1.4% increase on May 2009.

Unemployment Rate

Source: ABS

The unemployment rate (seasonally adjusted) for July 2009 was 5.8 %, unchanged from June.

