

## News & Views

### Auction clearances remain healthy

Sydney auction clearances remain healthy with over 66 per cent of properties put up for auction this week selling on the day. 145 properties sold for a combined value of \$92 million, slightly down on the week before when 66 per cent of properties sold for a combined value of \$125 million. On the same weekend last year, just 50 per cent of properties sold at a similar number of auctions. Melbourne's auction clearance rate also remains high with 72 per cent of properties put up for auction on Saturday selling on the day. 12 properties sold at auction in Adelaide this week for a clearance rate of 70 per cent, well up on the previous week, but still well down on the numbers for the same weekend last year. In Brisbane the auction clearance rate on Saturday was just 33 per cent from 40 auctions held, well down on last week and well down on the results from the same weekend last year.

### Affordability up as repayments fall

The HIA-CBA First Home Buyer Affordability Report revealed a 14.6 per cent improvement in affordability for the March 2009 quarter which came hot on the heels of a 40 per cent surge at the end of 2008. HIA's Chief Executive - Association, Chris Lamont said, notwithstanding current economic conditions for many aspiring home buyers there has never been a better time to enter home ownership. Over the March 2009 quarter the average home loan repayment fell by 11 per cent to \$1,831 per month, significantly lower than the previous amount of \$2,056. A further improvement in affordability is expected in the June quarter. Affordability improved strongly in all capital cities and regional areas in the March 2009 quarter. The largest improvement was in Hobart, Adelaide, and Sydney.

### Credit crunch casualties grow

The global financial crisis has killed off 159 out of about 1,000 Australian financial institutions in the last two years according to the prudential regulator APRA. Most of these have been small credit unions and superannuation funds which have merged or been taken over by other institutions, some after the intervention of the regulator. No deposit holders or policy holders in Australia have lost money as a result. APRA said that the main risk facing Australian deposit taking institutions was bad debts particularly in the commercial property sector.

### Chip cards to take over within 3 years

The vast majority of credit and charge card transactions in Australia will be chip authenticated within three years, according to the chief executive of the Australian Payments Clearing Association. Currently a negligible number of card transactions are chip authenticated. "My guess is that somewhere between two thirds and three quarters of all Australians have a chip card now because all of the majors have chip credit cards," says Chris Hamilton. "Chip terminals are being rolled out so it's just a matter of putting those two things together."

## National Market Ranges

### Home Loans

Standard Variable	4.81 - 6.44%
Basic Variable	4.78 - 6.09%
1 Yr Intro	2.99 - 5.94%
3 Yr Fixed	5.19 - 7.01%
Investment Variable	4.81 - 6.44%

### Deposit Accounts

Cash Mgmt \$10,000	0.01 - 4.00%
Cash Mgmt \$50,000+	0.25 - 4.00%
Online Savings >\$5,000	0.10 - 4.75%
Savings >\$2,000	0.01 - 4.00%

### Investment Accounts

Interest paid at maturity or per annum

\$10,000, 90 Days	1.00 - 4.51%
\$10,000, 1 Year	1.50 - 4.25%
\$10,000, 3 Years	1.75 - 5.20%

SEE PAGE 4 FOR THIS WEEK'S RATE MOVEMENTS

SEE PAGE 3 FOR A FEATURE ON TECHNOLOGY EFFICIENCIES

### Men save more than women

Men are better at saving money than women but almost thirty per cent of NSW residents have no savings at all according to a new survey by Bankwest. "The report is a sobering snapshot of how the unprecedented downturn of the past six months has hit home," said the chief executive of Bankwest retail, Ian Corfield. "Millions of NSW residents are failing to put sufficient money aside to cover life's setbacks." Surprisingly the survey finds that generation Y is better at putting money away than any other age group.

### SME's rate Westpac, ANZ most popular

Customer satisfaction ratings of the major banks have maintained their steady long-term upward trend, despite recent fluctuations. The latest Roy Morgan Research survey of small business owners, conducted in March, puts the average satisfaction score for the big four banks at 64.4 per cent. Over the past five years that rating has climbed steadily from around 55 per cent. The big banks have put a lot of resources into improving customer satisfaction and the investment appears to have paid off. Even NAB, which has suffered a sharp fall in customer satisfaction since late 2007, has a higher score than earlier this decade. Westpac has the highest satisfaction rating among small business, with 67.5 per cent of its customers saying they are satisfied with the bank. ANZ has a rating of 67.1 per cent, Commonwealth 65.4 per cent and NAB 56.3 per cent.

## CBA looks online for simple sales

Commonwealth Bank is looking to encourage what it calls "simple sales" online. A simple sale is one where the bank already knows the customer and can process an application for an increase in a credit card limit, a home loan top-up or a switch from fixed to variable without needing to get the customer into a branch. To facilitate this, the bank is building online delivery into the planning of new products, such as the first home saver account and new term deposit offerings. It is also working on greater integration between the online channel and contact centres. Customers who are having trouble with an online session can call the contact centre where staff can view the customer's banking session to see what is happening.

## Interest Rates & The Economy

### RBA prepared to cut rates if confidence dives

Minutes from the Reserve Bank's May 5 board meeting were released this week and showed that the central bank remains cautiously optimistic about Australia's economic outlook. When the board met earlier this month, it decided to keep rates on hold at 3 per cent, a 49 year low for Australia. The bank has been following an aggressive monetary policy easing policy since September last year, slashing rates by 425 basis points in an effort to shield the economy from the worst of the global financial meltdown.

The minutes showed that the board expects the Australian economy to gradually start turning the corner from late 2009. However, they did note that business conditions remained relatively weak and the consumer sentiment 'remained well below average, although it had improved a little recently and was considerably better than in other countries'.

Other data out this week from a major retail bank revealed that consumer confidence fell by 4.3 per cent in May. Apparently this is the second biggest fall in the index after the release of a federal budget in the last decade. The size of the government's \$57.6 billion budget deficit and the forecast contraction of 0.5 per cent in the middle of the year are making a number of people increasingly nervous.

This means that the RBA is going to have to keep a very careful month-to-month watch on the health of the Australian economy. Key indicators like unemployment, business investment data and confidence levels will be critical in influencing if, and when, the RBA needs to make another cut to the official cash rate.

In a speech to businesses this week, RBA governor Glenn Stevens confirmed that changes in monetary policy still played an important role in influencing confidence. However, part of the problem facing the board is that it really only has another 100 basis points left in the kitty before rates hit the bottom of the easing cycle which has been flagged as 2 per cent.

It will also be scrutinizing conditions in the global economy, particularly in markets like China. Our economic future is closely tied to the health of the Chinese economy due to its strong appetite for raw materials and resources. If it starts to rapidly nosedive during the next six to 12 months, our economic recovery will be in serious trouble. Unfortunately, data about the state of the Chinese economy appears less than transparent, and economists appear to be struggling to gain a clear picture of exactly where it is at in the recovery cycle.

So this means that even the RBA is unsure about how soon it may

have to cut rates again.

## Next Week's Announcements

Mon	25 May	-
Tue	26 May	-
Wed	27 May	Aust DEWR Skilled Vacancies (May) Aust Preliminary Construction Work (1st Quarter)
Thu	28 May	Aust HIA New Home Sales (April) Aust Capital Expenditure (4th Quarter)
Fri	29 May	Aust Private Sector Credit (April)

## Industry Analysis

### Saving is the new black

Australian households deposited about \$38 billion into savings accounts in the six months to March 31. After two decades of low to no savings, Australian household savings rose to 9 per cent of after tax income in the last quarter of 2008. Westpac has enjoyed the biggest growth in deposits, up 21 per cent in the six months to March 31. Seventy per cent of that growth in retail deposits is in term deposits said Westpac's head of retail banking Peter Hanlon. Hanlon says that term deposit growth is starting to ease with money now going into online savings accounts.

### A big Queensland bank?

Bank of Queensland and Suncorp are investigating the possibility of merging Suncorp's banking business with BoQ to create a fifth big Australian bank. The possible merger could improve the ability of BoQ to secure wholesale funding said a bank insider. The merger has become more likely since the ACCC chairman Graeme Samuels said the competition regulator would not be approving any more bank takeovers by the big four banks. That announcement narrowed the options for Suncorp who are looking to offload their banking business. A merger would create a bank with about the same amount of assets as St George Bank, which was recently acquired by Westpac.

## Scam Watch

### 1 in 10,000 payments is a fraud

The rate of fraud on Australian credit, charge and debit cards and Australian cheques is up to 0.01 per cent of all transactions, driven up by a significant increase in "card not present" fraud and the increased incidence of counterfeit cards. APCA released the latest payment fraud statistics on Friday showing a big increase in fraud committed on credit cards. The number of frauds perpetrated on debit cards fell in 2008, but is expected to go up in 2009 as a result of recent skimming events. In total, there were 446,713 fraudulent transactions perpetrated on Australian issued payment instruments in the calendar year 2008. On Friday the Australian Federal Police could not say how many payment instrument fraudsters had been charged or convicted.

Sources: InfoChoice, Australian Property Monitors, Herald Sun, Housing Industry Association, Sydney Morning Herald, The Australian, The Australian Financial Review

## Banks upgrade call centre and internet technology

With revenue growth likely to remain subdued for another year or two financial institutions are looking for earnings growth through efficiencies. New call centre and internet technology will be a strong feature of new customer offering in the period ahead.

Commonwealth Bank this week launched the latest upgrade of its NetBank online banking platform. Customers will be allowed to customise their NetBank home page so that the applications they use most frequently will appear in a format they choose.

Last November National Australia Bank introduced new call centre voice recognition system that operates on the basis of a technology called "open call steering" rather than the standard menu based systems.

And in October ANZ launched an online service called MoneyManager, an aggregation service that brings all of a customer's financial information, from a number of different institutions, to one site.

These types of changes have the combined goals of improving customer satisfaction and encouraging people to do more of their banking online or on the phone, and less in the branches.

Rivals financial institutions, also under pressure to improve efficiency as a way of increasing earnings in an environment of low revenue growth, will be watching with interest.

### Online customers are getting more sophisticated

Commonwealth Bank has given each of its online brands, including CommSec, CommBiz, CommInsure and Colonial First State the same "presentation layer", so that a single sign on provides access to accounts with all of those businesses.

CBA head of retail banking Ross McEwan says customers' use of online services was changing and the NetBank developments reflect that.

Commonwealth has 4.4 million registered NetBank users, with 2.6 million of them active. It is receiving 60,000 applications for registration a month.

McEwan says users are becoming more sophisticated. Almost two million customers have taken up two-factor authentication, with most preferring an SMS alert to a token. More than a million have opted to receive account statements electronically.

McEwan says the bulk of online usage was making payments and getting information such as account balances.

Increasingly, the bank is looking to encourage what it calls "simple sales" online. A simple sale is one where the bank already knows the customer and can process an application for an increase in a credit card limit, a home loan top-up or a switch from fixed to variable without needing to get the customer into a branch.

It is also working on greater integration between the online channel and contact centres. Customers who are having trouble with an online session can call the contact centre and contact centre staff are able to view the customer's banking session to see what is happening.

### Getting a better handle on the customer

NAB's new voice recognition system was developed by Salmat VeCommerce. The company's managing director Paul Magee, says open call steering does away with a menu of options and, instead, asks the customer what they want to do.

The customer response is put through an algorithm and sorted into one of nine options. If it can't be fitted into one of the available categories the call is put through to an operator.

Magee says that if such systems are implemented well the customer gets a better service because they don't wait on the phone very long and they get to the service they want more quickly.

The benefit for the bank, apart from needing fewer call centre operators, is that they get to hear what the customer actually wants to do.

Magee says: "With open call steering the financial institution hears directly from the customer for the first time. That can be turned into very powerful data."

### Aggregation comes of age

ANZ is offering its MoneyManager service in partnership with a United States company called Yodlee, which operates a similar service through a number of overseas banks, including HSBC, ING and Citibank.

Online account aggregation, as the service is known, relies on a technology called screen scraping. Customers give their account names, PIN numbers and passwords to MoneyManager. This allows MoneyManager to go into these accounts, "scrape" any transaction information from the website and transfer it to the MoneyManager site.

Money Manager can provide a daily update of all the customer's financial dealings and sort them into a number of summary documents that can be used for monitoring and analysis. MoneyManager will also provide customers alerts, such as notifying the customer when bills are due or when an account is running low.

ANZ head of online banking Sam Plowman says MoneyManager is a financial management tool. It can be used to chart spending by putting transactions into different categories (entertainment, groceries, petrol and so on), allowing the customer to track spending against the household budget, analyse different areas of spending, categorise expenses and do a budget.

Screen scraping is not a new technology and account aggregation has been offered in Australia before. Plowman says the technology has advanced considerably in recent years and current account aggregation systems are much more sophisticated.

In the past a service might have been able to "scrape" information from a hundred financial institutions but the Yodlee system being used by ANZ connects daily to 9,000 financial institutions around the world.

Personal information provided to ANZ is encrypted and cannot be seen by ANZ staff. ANZ has contracted a data security company veriSign to operate a network intrusion detection program.

## This Week's Rate Movements

### Home Loans - 1 Year Fixed Rates

Institution	Product	Avail	Old Value	New Value	Date of Change	Change Value
A M O	AMO Fixed Rate Home Loan	B	4.96	5.18	19/05/2009	0.22
MyRate	MyRate Fixed Loan	B	4.83	5.23	21/05/2009	0.40
QuickDirect	Fixed	B	4.85	5.25	15/05/2009	0.40
RegionalOne Credit Union	Fixed Loan	OO	5.09	5.19	18/05/2009	0.10

Key: (OO) - Owner Occupied (I) - Investment (B) - Both

### Home Loans - 2 Year Fixed Rates

Institution	Product	Avail	Old Value	New Value	Date of Change	Change Value
CUA	Fixed Loan	B	5.39	5.59	19/05/2009	0.20
Greater Building Society	Getaways Fixed Home Loan	B	5.65	5.85	15/05/2009	0.20
RegionalOne Credit Union	Fixed Loan	OO	5.59	5.69	18/05/2009	0.10

Key: (OO) - Owner Occupied (I) - Investment (B) - Both

### Home Loans - 3 Year Fixed Rates

Institution	Product	Avail	Old Value	New Value	Date of Change	Change Value
Aussie	Aussie Standard Fixed Loan	B	6.19	6.34	21/05/2009	0.15
Greater Building Society	Getaways Fixed Home Loan	B	5.95	6.25	15/05/2009	0.30
mecu	Fixed Home Loan	B	5.59	5.79	21/05/2009	0.20
Police and Nurses Credit Society	Fixed Rate Home Loan	B	5.79	6.09	18/05/2009	0.30
RegionalOne Credit Union	Fixed Loan	OO	6.19	6.29	18/05/2009	0.10

Key: (OO) - Owner Occupied (I) - Investment (B) - Both

### Home Loans - 4 Year Fixed Rates

Institution	Product	Avail	Old Value	New Value	Date of Change	Change Value
A M O	AMO Fixed Rate Home Loan	B	6.45	6.54	19/05/2009	0.09
Aussie	Aussie Standard Fixed Loan	B	6.54	6.69	21/05/2009	0.15
CUA	Fixed Loan	B	6.49	6.69	19/05/2009	0.20
Greater Building Society	Getaways Fixed Home Loan	B	6.60	6.80	15/05/2009	0.20
RegionalOne Credit Union	Fixed Loan	OO	6.59	6.69	18/05/2009	0.10

Key: (OO) - Owner Occupied (I) - Investment (B) - Both

### Home Loans - 5 Year Fixed Rates

Institution	Product	Avail	Old Value	New Value	Date of Change	Change Value
Aussie	Aussie Standard Fixed Loan	B	6.79	7.09	21/05/2009	0.30
CUA	Fixed Loan	B	6.59	6.69	19/05/2009	0.10
Greater Building Society	Getaways Fixed Home Loan	B	6.70	6.90	15/05/2009	0.20
Police and Nurses Credit Society	Fixed Rate Home Loan	B	6.49	6.74	18/05/2009	0.25

Key: (OO) - Owner Occupied (I) - Investment (B) - Both

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