

## News & Views

### Property investors are waiting

One in four property investors are waiting for the boosted first home buyer's grant to end before they make a purchase. A majority of investors believe that the first buyer's grants have created a price bubble according to the Mortgage Choice 2009 Property Investors Survey of more than 1000 people. "Competition from first home buyers has been so intense since last year that most investors seem to have taken a step back," said Kristy Sheppard from Mortgage Choice. "A large number are getting their finances in order in preparation to purchase in 2010 and 2011."

### Victorian property prices continue to rise

The Melbourne median property price rose 3.1 per cent to \$388,000 in the last year according to figures released by the state government's valuer general. In regional Victoria the median property price rose 1.7 per cent in 2008. In 2007, property prices rose by more than 8 per cent according to the valuer general. The average price of units was up from \$332,000 to \$346,000. The median price for vacant land was up from \$143,800 to \$150,000. Properties on the Mornington Peninsula performed the best with the median price in St Andrews beach rising 55 per cent to \$620,000 and the median price in Portsea rising 47 per cent to \$1.4 million.

### Melbourne, Adelaide auctions do well

The auction clearance rate in Sydney fell back slightly over the weekend of the 20-21 June to about 67 per cent from 69 per cent the week before. There were 270 auctions in Sydney on the weekend, down from 353 last week and 300 on the same weekend last year. Melbourne auctions continued to do well with a clearance rate over the weekend of almost 75 per cent, well up on the same weekend last year when the clearance rate was 56 per cent. 498 residential properties were put up for auction in Melbourne on Saturday, slightly down from last week when 512 properties were auctioned. In Adelaide, 62 per cent of 24 properties were sold at auction on Saturday, up from 41 per cent of 22 properties last week. In Brisbane 46 per cent of 44 properties were reported sold at auction this weekend.

### NSW extends first home grants

First home buyers in NSW will have the boosted federal government first home buyer's grant extended for an extra six months. The NSW government has also announced, in last week's state budget, that stamp duty on newly built homes worth less than \$600,000 will be cut by 50 per cent. Some experts warn that there is a danger that the state and federal government incentives for the housing industry could create a housing price 'bubble' at the lower end of the property market which will burst when overextended mortgagees can no longer afford their mortgages. Some first home buyers are buying houses for \$60,000 more than they were worth just 12 months ago in order to get the \$14,000 in federal government grants.

## National Market Ranges

### Home Loans

Standard Variable	4.81 - 6.20%
Basic Variable	4.78 - 5.69%
1 Yr Intro	3.29 - 5.59%
3 Yr Fixed	5.69 - 7.69%
Investment Variable	4.81 - 6.20%

### Deposit Accounts

Cash Management \$10,000	0.01 - 4.25%
Cash Management \$50,000+	0.25 - 4.25%
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 - 4.55%
\$10,000, 3 Years	1.75 - 6.00%

SEE PAGE 4 FOR THIS WEEK'S RATE MOVEMENTS

SEE PAGE 3 FOR A FEATURE ON SATISFACTION RATINGS

### Brokers welcome credit laws

The Mortgage and Finance Association of Australia (MFAA) hailed today's introduction of new national consumer credit laws into Federal Parliament. In its simplest form, the new laws will: introduce a licensing regime for credit providers, enforce responsible lending requirements, and streamline legislation across all states and territories. Phil Naylor, CEO of the MFAA said the group was concerned that the 'responsible lending' aspects of the bill will be delayed by 12 months, as MFAA members are already complying with these provisions. Mr Naylor said better regulation will only improve the broker channel, offering greater, world-class protection to consumers.

### Lenders commit to hardship package

One hundred and forty four banks, credit unions and building societies have signed up to the federal government's hardship principles, which commit them to assist customers who are having difficulty paying off their debt. Under the protocol lenders are committed to a range of solutions for people in financial stress, including reducing the amount of repayments, postponing repayments for up to 12 months, interest only breaks and fee waivers. The Australian Bankers Association said up to 80 per cent of home repossessions were by non-bank lenders, who should also be required to sign up to the government agreement.

## Bank reputations improve

The annual Corporate Reputation Index by AMR Interactive reports that Banks saw the greatest improvement in consumer perception as an industry. The overall scores of ANZ, Commonwealth Bank and Westpac all rose from 2008, with only ING Australia falling slightly in the rankings from 6th to 11th place. On average, 64 per cent of those surveyed felt the responsible running of the banks had improved or stayed the same during the past 12 months. Overall the results show big business in Australia appears to be emerging from the GFC relatively unscathed, reputation-wise, with the reputation of most major Australian organisations lifting during the past 12 months.

## New Products, Rates & Fees

### NAB's new cash account for investors

National Australia Bank has launched a new cash management account, the NAB Cash Manager, designed to assist financial advisers and investors to manage cash flow in one central account. The account features free unlimited access to investor funds via NAB channels, no monthly fee, competitive interest rate, a flexible commission structure and integration with all major financial adviser software platforms including Coin, VisiPlan, Xplan and MLC AdviserCentral.

## Interest Rates & The Economy

### RBA rate cuts continue to work through the economy

The flow of optimistic news continued this week. A report by a university research group released this week, says the worst of the economic downturn is over. According to its economists, quarterly GDP growth in Australia is forecast to remain virtually unchanged in the June and September quarters, before rising to 0.3 per cent and 0.5 per cent in the December and March quarters. This growth will be supported by an up-tick in household consumption and exports, even as unemployment rises.

These findings are backed by data from the Australian Bureau of Statistics, which reported the first increase in total sales of new motor vehicles since January 2008. The May 2009 trend estimate for new sales, at 72,532, was 0.1 per cent higher than the corresponding estimate for April 2009, while seasonally adjusted sales increased by 5.4 per cent.

While the economic indicators of the past month have been positive, the Australian economy is not yet out of the woods. A lot depends on the extent to which the global recession will affect our economy. Bad news from abroad could have a negative effect on our exports, business investment in Australia, levels of unemployment and consumer confidence. That in turn could force the government to look at further cuts in the official rate to stimulate the economy.

This is why market participants remain firmly focused on the key economic indicators being released each month from the United States and China. News released in these economies will have a significant impact on the speed at which the Australian economy turns the corner.

In the United States, interest rates were held steady at between zero and 0.25 per cent this week, with congress members recognising a modest improvement in economic outlook since the March meeting. For example, home sales figures are showing moderate signs of improvement, and household spending is showing signs of stabilising.

However, they cautioned economic activity is likely to remain weak for a time.

Less positive was a World Bank report released this week, which predicted the world economy will contract by 2.9 per cent this year, compared with a previous forecast of 1.7 per cent. Much of this decline is expected to be centred in developing countries, for which the World Bank predicts a 4.5 per cent contraction in GDP.

The Australian economy remains in better shape than most developed economies, but it is not immune to the global crisis. Stimulation of the economy will remain necessary for some time. Given the recent up-tick in economic news, and still relatively low inflation figures, the RBA is likely to keep interest rates at 3 per cent.

## Next Week's Announcements

Tue	30 Jun	Aust Private Sector Credit (May) Aust HIA New Home Sales (May) Aust Foreign Reserves (June) Aust AiG Performance of Manufacturing Index (June)
Wed	1 Jul	Aust DEWR Skilled Vacancies (June) Aust Retail Sales (May) Aust Building Approvals (May) Aust RBA Commodity Index SDR (June)
Thur	2 Jul	Aust Trade Balance (May) Aust AiG Performance of Service Index (June)

## Industry Analysis

### As good as it gets for SME lending

Forty four per cent of SMEs are paying between 6-8 per cent on their business loans and thirty six per cent are paying over 8 per cent, despite official rates having fallen 4.25 per cent to three per cent according to a new report from by Fujitsu Consulting and JP Morgan. Fujitsu Consulting executive industry director Martin North says things are unlikely to get better "The sorts of rates that are currently accessible are as good as it's going to get," he says. North says banks are in the middle of a wave of bad debts from SMEs who are suffering from cashflow problems. SMEs surveyed for the report nominated maintaining adequate working capital as their number one reason for borrowing. "It's about cashflow. It's about survival. This isn't about growth anymore," said North.

### Bad year for foreign banks

Foreign banks operating in Australia had a very bad year in 2008 with combined losses of \$843 million. The 35 foreign banks with branch operations in Australia, including the Royal Bank of Scotland and Standard Chartered Bank suffered big cost blowouts as the global financial crisis swept world money markets. Bad debt write downs blew out during the year from \$56 million to \$1.3 billion last year. Many of the foreign banks operating in Australia appear to have been exposed to big corporate failures including Babcock & Brown and Allco Finance. Foreign banks with a subsidiary license in Australia, such as HSBC, Citigroup and ING Direct, also had a bad year with profits falling 16 per cent.

Sources: InfoChoice, Australian Property Monitors, Daily Telegraph, Herald Sun, Sun Herald, The Australian Financial Review

## Customer priorities shift with changed market conditions

Customers are showing a pronounced change in the factors they rank as most important in their dealings with their financial institutions. The emphasis has moved from service and other aspects of the "customer experience" to the cost of loans and other products.

The latest round of customer surveys and satisfaction ratings shows that the economic downturn has focussed customers' attention on the basic issue of the cost of credit and banking services.

Another concern is with the process of applying for credit. Customers are being asked for more detailed information about their circumstances and also about the purpose of the finance.

The latest East & Partners business banking customer satisfaction survey, published earlier this month, shows overall satisfaction levels falling every month since hitting a peak in August.

But when customers were asked to rate nine "satisfaction factors" separately, seven were given higher ratings and only two lower. They recorded high and rising levels of satisfaction when asked about banks' responsiveness and "interest in them as a customer".

The reported higher levels of satisfaction when asked to rate their banks on access to advisers and specialists, access to a dedicated banker, the quality of advice and the range of products and services.

But businesses are not happy about the pricing of loans and services and they are dissatisfied with applications and other processes they have to go through.

East & Partners head of market analysis Robert Morgan said the negative overall result indicated the importance of pricing at the moment.

Morgan said: "Lending is key and changes to pricing and loan criteria are weighing heavily on the overall result.

### Pricing is the primary source of dissatisfaction

The JP Morgan and Fujitsu Consulting survey of small and medium business banking relationships, published this week, comes to much the same conclusion.

The report says: "Pricing has become the primary source of dissatisfaction. It has moved from the second largest driver of dissatisfaction in 2008 (after service) to the undisputed driver in 2009, with 34.7 per cent of respondents listing this as the primary cause of discontent.

"The number of respondents designating service as the primary driver of dissatisfaction has fallen dramatically from 29 per cent in 2008 to 19 per cent."

This change in priorities was reflected in responses to questions about switching banks. Last year more than 10 per cent of respondents said they would switch banks for better service. In the latest survey only about five per cent said they would switch for better service.

On the other hand, the number who said they would switch banks for a better loan facility rose from two per cent last year to 14 per cent in

the latest survey. More than 15 per cent said they would switch for a better rate.

Another finding of the JP Morgan and Fujitsu survey is that customers are less likely to differentiate between financial institutions. The number of respondents who said there was no difference between institutions rose from eight per cent in 2008 to 14 per cent.

### Retail customers want greater convenience

Retail customers have also shown a back-to-basics attitude, although their priorities are different. Consumers have had the benefit of rate cuts on their home and personal finance this year and are less concerned about costs. Their focus appears to be on convenience.

According to the latest Roy Morgan Research survey of retail bank customers, ANZ has overtaken its big four rivals and St George in customer satisfaction. ANZ also leads a couple of regional banks, BankWest and Suncorp, which had been considered customer friendly but have suffered heavy falls in their ratings over the past year.

ANZ managing director of strategy and marketing David Lindberg says convenience is the word that comes up most often when the bank asks retail customers what is most important to them.

Lindberg says: "There are three pillars of convenience: access, time and transparency. Access is about call centres, branches, online and ATMs.

"Customers tell us it is very important to be able to find an ATM wherever they are, and that feeling has become stronger with the move to direct charging. That is why we keep adding machines to our network."

Since 2004 ANZ has added 1000 ATMs to its network. It has 2500 across Australia and will have another 100 in place by September. The bank claims to have the highest number of ATMs per customer.

Retail customers do worry about costs, however. In a survey published in March Canstar reported on what retail customers didn't like about their banks. Forty per cent said fees and charges, 24 per cent said customer service, 13 said corporate activity, nine per cent said products and six per cent said accessibility (eight per cent of responses were classified miscellaneous).

### Satisfaction levels are down

The overall trend in these surveys has been falling satisfaction ratings for financial institutions. Ratings in the Roy Morgan retail customer held up well in the early part of the global financial crisis but peaked in the middle of last year and have been on the slide ever since.

Business banking customer surveys show a similar trend. The average bank rating in the East & Partners survey peaked in June last year. The fall in satisfaction ratings has been gradual but steady ever since.

The TNS business banking customer survey, which has a skew to smaller businesses, shows the ratings peak occurring later, around September, followed by a sharper fall.

## 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	5.26	25/06/2009	0.30
Community First Credit Union	True Fixed Home Loan	B	5.29	5.39	22/06/2009	0.10
CUA	Fixed Loan	B	4.89	4.99	22/06/2009	0.10
Greater Building Society	Getaways Fixed Home Loan	B	5.55	5.65	26/06/2009	0.10
homestar	homestar Fixed Rate Loan	B	5.75	5.49	22/06/2009	-0.26
IMB	IMB Fixed Rate Home Loans	B	5.20	5.39	22/06/2009	0.19
ING DIRECT	Fixed Rate Loan	B	4.99	5.29	26/06/2009	0.30
QuickDirect	Fixed	B	4.85	5.15	25/06/2009	0.30
Savings & Loans Credit Union	Fixed Rate Loan	OO	5.49	5.59	26/06/2009	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
A M O	AMO Fixed Rate Home Loan	B	6.29	6.54	25/06/2009	0.25
Australian Central Credit Union	Fixed Rate Home Loan	B	6.29	6.59	22/06/2009	0.30
Citibank	Fixed Rate Loan	B	6.39	6.89	22/06/2009	0.50
Community First Credit Union	True Fixed Home Loan	B	5.39	5.69	22/06/2009	0.30
CUA	Fixed Loan	B	5.99	6.39	22/06/2009	0.40
Easy Street Financial Services	EasyHome Fixed	OO	5.39	5.69	22/06/2009	0.30
Greater Building Society	Getaways Fixed Home Loan	B	6.75	6.90	26/06/2009	0.15
Heritage Building Society	Fixed Loan	B	6.19	6.65	23/06/2009	0.46
homestar	homestar Fixed Rate Loan	B	5.99	6.19	22/06/2009	0.20
IMB	IMB Fixed Rate Home Loans	B	5.99	6.49	22/06/2009	0.50
ING DIRECT	Fixed Rate Loan	B	6.29	6.69	26/06/2009	0.40
QuickDirect	Fixed	B	6.45	6.55	25/06/2009	0.10
RAMS Home Loans	RAMS Fixed Rate	B	5.89	6.29	22/06/2009	0.40
Savings & Loans Credit Union	Fixed Rate Loan	OO	6.39	6.49	26/06/2009	0.10
SERVICE ONE Members Banking	Fixed Home Loans	B	5.75	6.25	26/06/2009	0.50
Sydney Credit Union	Fixed Interest Rate Loan	B	5.99	6.49	25/06/2009	0.50

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
Australian Central Credit Union	Fixed Rate Home Loan	B	6.89	7.19	22/06/2009	0.30
Citibank	Fixed Rate Loan	B	6.89	7.39	22/06/2009	0.50
CUA	Fixed Loan	B	6.69	7.29	22/06/2009	0.60
Greater Building Society	Getaways Fixed Home Loan	B	7.45	7.60	26/06/2009	0.15
Heritage Building Society	Fixed Loan	B	6.69	7.29	23/06/2009	0.60
homestar	homestar Fixed Rate Loan	B	6.29	6.69	22/06/2009	0.40
IMB	IMB Fixed Rate Home Loans	B	6.69	7.09	22/06/2009	0.40
ING DIRECT	Fixed Rate Loan	B	7.09	7.39	26/06/2009	0.30
QuickDirect	Fixed	B	7.10	7.25	25/06/2009	0.15
RAMS Home Loans	RAMS Fixed Rate	B	6.59	6.99	22/06/2009	0.40
Savings & Loans Credit Union	Fixed Rate Loan	OO	7.09	7.29	26/06/2009	0.20

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

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