

INDUSTRY MARKET WRAP

Lending finance data released by the Australian Bureau of Statistics this week showed a lift across all lending categories except personal finance during October. Total lending was up 3.7% in October and housing finance was up 2.8%. The improvement in lending is likely to be short-lived, with the November rate rise more than likely to cause a pull back in borrowing. We won't have absolute clarity around the impact of the November rate rise until January 17 when the next set of lending finance data is released by the ABS.

Slightly left of field, we have also been seeing petrol prices heading north. According to the Australian Institute of Petroleum, the average fuel price (\$1.286) is now at its highest level in more than two years. With petrol being a primary expenditure item for the majority of Australian households, the recent rises are akin to a further 25 basis point lift in interest rates which will cause further dampening of consumer demand going forward.

The number of dwelling starts fell by -13.2% over the September quarter after rising over the previous four quarters. Dwelling commencements for houses were down -4.3% and unit commencements were down -13.5%. The annual figure for dwelling starts (170,153) is the highest in almost six years, however the weakness that has become evident in the September quarter more than likely heralds the end to what has been a short and sharp recovery in dwelling commencements. Leading indicators such as the volume of land sales and the number of dwelling approvals have also been weak, suggesting that new supply additions to the market are going to be fairly sedate going forward.

Business confidence data released by the National Bank this week recorded a modest fall with the Index down from 8.1 points to 6.2 points in November. The Index has now fallen across eight of the last nine months. The latest survey results point to an increased level of business sensitivity around the latest rate rise and high Australian dollar and highlight that outside the resources sector, the Australian business sector remains relatively cautious.

At the same time we are seeing advertised stock levels starting to fall away as the Christmas period approaches. The total number of advertised listings in the market is still about 20% higher than the same time last year, however we are seeing a trend of fewer new listings entering the market which should continue to ease total stock levels.