

Brisbane & Sydney petrol prices lift

Value of loans for motor vehicles hit 4-year low

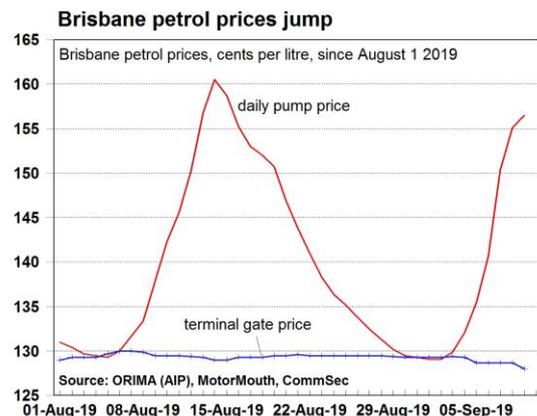
Weekly petrol prices; Lending; Alcohol consumption

- Petrol:** According to the Australian Institute of Petroleum, the national average price of unleaded petrol rose by 1.6 cents in the past week to 140.2 cents a litre as the retail discounting cycle ended in Sydney and Brisbane.
- Home loans:** Excluding refinancing, the value of owner-occupier home loans rose by 5.3 per cent in July with investment loans up 4.7 per cent. The number of owner-occupier loans lifted by 4.2 per cent. In trend terms, the share of first-home buyers in the home lending market hit a 7½-year high of 29.1 per cent.
- Car loans:** In seasonally adjusted terms, the value of personal fixed loans (to households) for motor vehicles fell by 3.0 per cent to a 4-year low of \$1.165 billion in July to be down 9.1 per cent over the year.
- Alcohol consumption:** Total alcohol consumed in Australia lifted slightly from 55-year lows of 9.48 litres per capita in 2016/17 to 9.51 litres per capita in 2017/18. Beer consumption remained near 74-year lows at 3.71 litres per capita. Wine consumption hit 14-year lows of 28.26 litres per capita in 2017/18.

Movements in the petrol price can affect consumer spending, and in turn, prospects for retailers. The lending figures have implications for builders, housing-reliant businesses, finance providers, retailers, and companies dependent on consumer and business spending.

What does it all mean?

- The NRL finals series kicks-off later this week. In the rugby league heartlands of Brisbane and Sydney unleaded petrol prices are on the march. Brisbane pump prices have lifted by almost 28 cents a litre in the past week to around \$1.56 a litre today as the retail discounting cycle ended. The terminal gate or wholesale unleaded petrol currently averages 128 cents per litre. Add to this the gross retail margin of around 12 cents a litre and the pump price should be closer to 140 cents a litre in Brisbane.
- According to MotorMouth and Informed Sources, prices at Sydney bowsers are above \$1.41 a litre today, up by 12 cents over the past week, so motorists are encouraged to fill up now before prices hit \$1.50 a litre in the

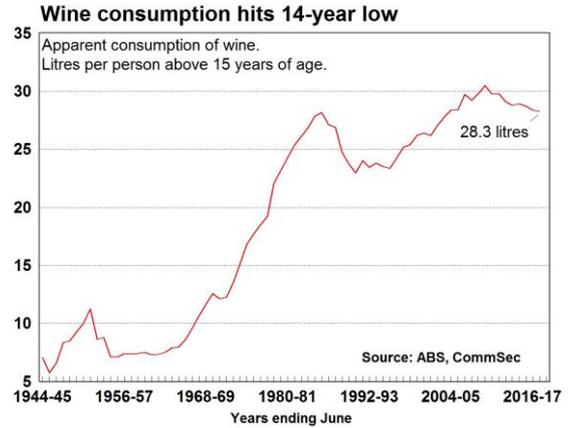


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coming days.

- The latest Aussie home lending data points to a continued stabilisation in housing market conditions with home prices lifting in Sydney and Melbourne in recent months. With mortgage rates at the lowest level since the 1950s, prospective home buyers have been encouraged back into the market, but the volume of homes for sale remains low, based on last weekend’s preliminary auction data from CoreLogic and Domain.
- With official interest rates being cut in June and July, the flow-through to the housing finance data is expected to become even more pronounced in the coming months. And commitments have already shown signs of bottoming with both the number and value of owner occupier loan approvals lifting solidly in July. In trend terms, the proportion of first home buyers taking out a loan hit a 7½-year high.
- Data from the Australian Banking Association (ABA) and Canstar in July shows that the value of loans has been increasing at a faster rate than the number of commitments. Notably, the ABA reports, *“Other feedback received from member banks over recent weeks indicates that there has been a much stronger post-election pickup in investor loan applications and approvals, relative to owner-occupier activity.”*
- Policymakers will hope that the recovery in home prices, tax cuts and lower interest rates will encourage Aussies to upgrade their wheels. Auto alley continues to struggle as elevated mortgage debt, modest wages growth, the recent property downturn and tighter lending restrictions crimp demand for new motor vehicle loans.



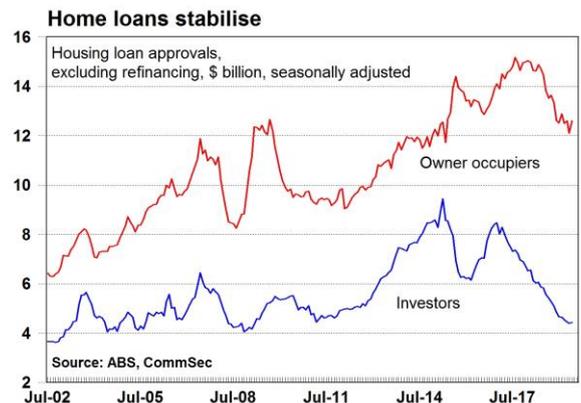
What do the figures show?

Petrol prices

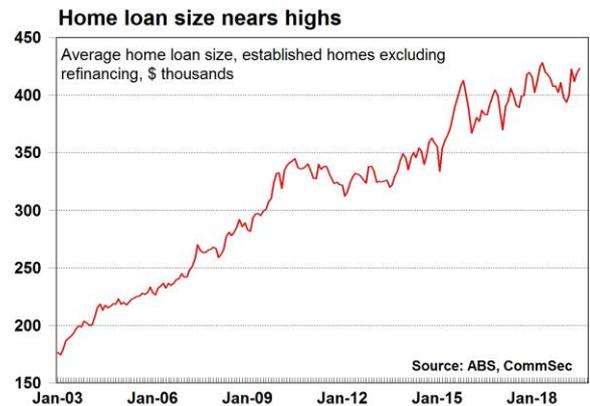
- According to the **Australian Institute of Petroleum**, the national **average price of unleaded petrol** rose by 1.6 cents in the past week to 140.2 cents a litre. The metropolitan price lifted by 2.4 cents to 140.4 cents a litre, but the regional price fell by 0.2 cents to 139.7 cents a litre.
- **Average unleaded petrol prices across states and territories over the past week were:** Sydney (up by 2.0 cents to 131.4 c/l), Melbourne (down by 6.0 cents to 142.8 c/l), Brisbane (up by 8.3 cents to 139.1 c/l), Adelaide (up by 21.8 cents to 155.8 c/l), Perth (down by 0.1 cents to 138.8 c/l), Darwin (unchanged at 138.8 c/l), Canberra (down by 0.2 cents to 141.5 c/l) and Hobart (up by 0.1 cent to 151.3 c/l).
- **The smoothed gross retail margin** for unleaded petrol fell from 11.08 cents a litre to 10.95 cents a litre last week – the lowest level in 4 months (24-month average: 13.0 cents a litre).
- The **national average diesel petrol price** fell by 0.1 cent a litre to 146.8 cents a litre over the week. The **metropolitan price** fell by 0.1 cent to 145.3 cents a litre and the **regional price** fell by 0.2 cents a litre to 148.0 cents a litre.
- **MotorMouth records the following average retail prices for capital cities today:** Sydney 141.1c; Melbourne 137.0c; Brisbane 156.9c; Adelaide 153.6c; Perth 129.1c; Canberra 141.4c; Darwin 138.8c; Hobart 151.4c.
- Today, the **national average wholesale (terminal gate) unleaded petrol price** stands at 127.9 cents a litre, down by 1.3 cents over the week. The **terminal gate diesel price** stands at 134.4 cents a litre, up by 0.1 cent over the past week.
- Last week, the **key Singapore gasoline price** fell by US63 cents or 0.9 per cent to US\$69.90 a barrel. In Australian dollar terms, the Singapore gasoline price fell by \$2.54 or 2.4 per cent to \$102.45 a barrel or 64.43 cents a litre.

Lending: July 2019

- **Total lending** rose by 1.3 per cent in July after a 10.7 per cent decline in June. Lending to **households** rose by 3.9 per cent - the biggest monthly lift in 4½ years. But loans to **businesses** fell by 1.1 per cent.
- **The number of owner occupier home loans** (excluding refinancing) rose 4.2 per cent in July. Including refinancing, loans were up 5.0 per cent (refinancing rose 6.8 per cent). The number of loans to first home buyers rose by 1.3 per cent – the fourth straight gain.



- Excluding refinancing, the **value of owner-occupier housing** rose by 5.3 per cent with **investment loans** up by 4.7 per cent, but **other personal loans** were down by 2.6 per cent. Alterations & additions fell by 2.7 per cent.
- **Commercial lending** fell by 1.1 per cent with **lease loans** down by 1.0 per cent.
- **The share of first home buyers (excluding refinancing)** eased from a 7½-year high of 29.4 per cent in June to 29.1 per cent in seasonally-adjusted terms in July. But in trend terms, the share of first home buyers (excluding refinancing) is at 7½-year highs of 29.1 per cent in July.
- **Excluding refinancing**, the number of owner-occupier home loans across states & territories were: NSW (up 5.4 per cent); Victoria (up 3.4 per cent); Queensland (up 2.8 per cent); South Australia (up 1.4 per cent); Western Australia (up 0.9 per cent); Tasmania (down 1.4 per cent); NT (up 9.4 per cent); ACT (up 28.1 per cent).
- **The average loan value of an established dwelling** (excluding refinancing) rose by 1.0 per cent from \$419,100 to \$423,400 in July to be 1.3 per cent higher than a year ago. It was the fourth month in the past five that the average loan rose in monthly terms.

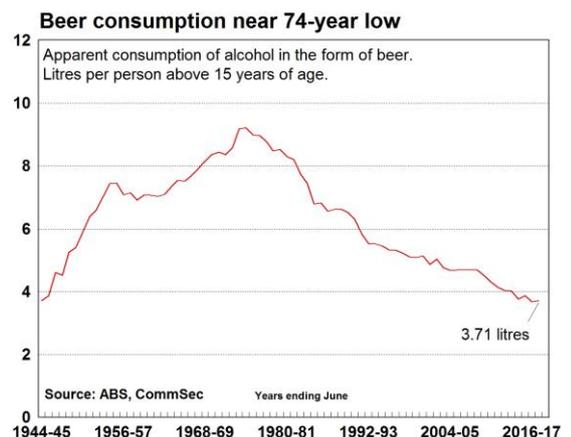


What is the importance of the economic data?

- **Weekly figures on petrol prices** are compiled by ORIMA Research on behalf of the Australian Institute of Petroleum (AIP). National average retail prices are calculated as the weighted average of each State/Territory metropolitan and non-metropolitan retail petrol prices, with the weights based on the number of registered petrol vehicles in each of these regions. AIP data for retail petrol prices is based on available market data supplied by MotorMouth.
- **Lending to Households and Businesses** is released monthly by the Bureau of Statistics and contains figures on new housing, personal, commercial and lease finance commitments. The importance of the data lies in what it reveals about the appropriateness of interest rate settings, confidence and spending levels in the economy.
- Each year the Bureau of Statistics provides estimates of **apparent consumption of alcohol** based on the availability of alcoholic beverages in Australia. It provides estimates of the quantity of pure alcohol available for consumption in the form of beer, wine, spirits, and Ready to Drink (pre-mixed) beverages (RTDs), plus estimates of the total volume of beer and wine available for consumption. Estimates of the quantity of pure alcohol available for consumption from cider are included from 2004-05 onwards.

What are the implications for interest rates and investors?

- Property market conditions have improved, particularly in Melbourne and Sydney, since June. Demand for home loans have jumped, auction clearance rates are up, home sales have lifted and both markets have recorded decent price gains, supported by the lowest mortgage rates since the 1950s.
- In a solid start to September, home prices lifted by a further 0.3 per cent in Sydney and 0.4 per cent in Melbourne, respectively, last week. Home prices may have eased in recent years but the size of the average home loan has held close to record highs. The drop in interest rates and home prices have prompted home buyers to trade up, taking out larger loans. With rates to remain low for some time, debt will increase, putting the issue back on the radar screen of policymakers.
- Aussies are increasingly drinking in moderation. Beer and wine consumption have fallen to multi-decade lows as Australians seek healthier alternatives or energy drinks. Aussie brewers and liquor supermarket chains are adapting to the changing consumer landscape by offering new products, such as no-alcohol beer.
- Oil cartel OPEC and Russia will meet on the sidelines of the World Energy Congress in Abu Dhabi to discuss members' output this week. The direction of global crude oil prices can influence Aussie metropolitan and regional petrol prices.
- The Commonwealth Bank Group economists expect a rate cut in November and a follow up rate cut in February 2020.



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