

Record home lending; Record regional migration Consumer confidence lifts; Solid trade surplus

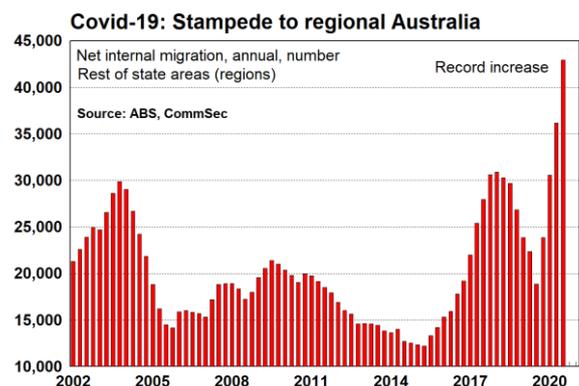
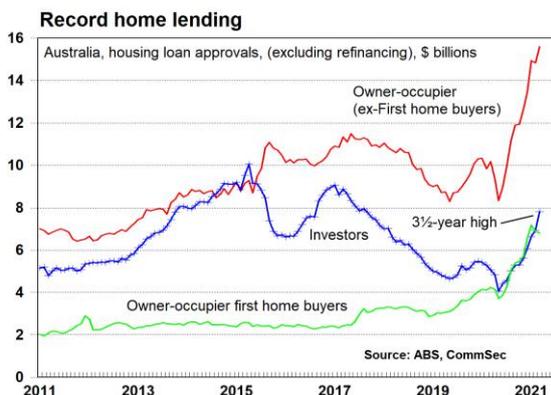
Weekly consumer confidence; Lending indicators; International trade; Internal migration

- Consumer confidence:** The weekly ANZ-Roy Morgan consumer confidence rating rose by 0.3 per cent to 112.7 (long-run average since 1990 is 112.6). The measure of whether it was a 'good time to buy a major household item' gained 0.2 per cent to a 14-month high of 21.1 points.
- Home loans:** The value of new loan commitments for housing rose by 5.5 per cent to a record high \$30.227 billion in March. Owner-occupier loans were up 3.3 per cent to a record high \$22.413 billion in March. And investor loans were up by 12.7 per cent to a 3½-year high of \$7.814 billion. Renovation loans rose 2.0 per cent to 11-year highs of \$328.9 million.
- Foreign trade:** The trade surplus decreased from \$7.595 billion in February to \$5.574 billion in March (consensus: \$8.2 billion). Australia has posted 39 successive monthly trade surpluses. Commonwealth Bank (CBA) Group economists estimate that net exports will detract around 1.4 percentage points from March quarter economic (GDP) growth.
- Internal migration:** In the December 2020 quarter, 104,751 people moved interstate – the fewest for a December quarter since 2015. Interstate migration was 3.6 per cent lower than a year ago. A net 42,971 Australians moved from capital cities to regional areas in 2020 – the most on record (since 2001).

Consumer confidence has implications for retailers, and other consumer-focussed businesses. Lending finance data has implications for banks, retailers, developers, building and building material companies. The trade data is instructive on income flows in the economy and consumer and business activity and has implications for the currency. The internal migration data has importance for retail and housing businesses and government planners as well as infrastructure and utility companies.

What does it all mean?

- Consumer sentiment, as measured by ANZ and Roy Morgan, improved last week after the Perth lockdown ended. Sentiment is broadly in-line with its long-run average. Encouragingly, four out of the five underlying components of the index rose last week. Consumer views on 'current financial conditions' rose most (up 2.2 per cent), perhaps on the back of the announcement of the federal government's \$1.7 billion childcare Budget pledge. And the measure of whether it was a 'good time to buy a major household item' gained 0.2 per cent, hitting a 14-month



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high of 21.1 points, implying that Aussie consumers are keen to continue spending on big ticket items.

- Home lending hit record highs in March. Owner-occupier loans were up 3.3 per cent to a record high \$22.4 billion in March. And investor loans were up by a massive 12.7 per cent to a 3½-year high of \$7.8 billion. Renovation loans rose 2.0 per cent to 11-year highs of \$328.9 million.
- But the expiry of the HomeBuilder scheme in late March weighed on the value of loans for construction, which fell by 14.5 per cent in March to \$3.6 billion, after hitting record highs in February. And in a sign that affordability constraints are starting to bite following a rapid run up in home prices, the value of owner-occupier first home buyer loan commitments fell by 0.9 per cent in March.
- There’s been a stampede to regional Australia during the Covid-19 pandemic. A net 42,971 Aussies relocated from capital cities to regional areas in 2020 – the most since records began in 2001. In fact, 233,122 people arrived to live in regional areas and 190,151 people departed from capital cities over the year. Regional Queensland had the biggest net inflow (+16,970 people), followed by regional Victoria (+13,356) and New South Wales (+12,691). Greater Sydney had the largest net loss (-31,564 people) of all the capitals from internal migration in 2020. And Melbourne lost a net 26,093 internal migrants, the largest annual net loss on record.

**VALUE OF ALL HOME LOANS
March 2021**

	month%	annual%
All home loans	5.5	55.3
Owner-occupier	3.3	55.6
Investor	12.7	54.3
First Home Buyers	-0.9	61.4

Source: ABS, CommSec

**OWNER-OCCUPIER HOME LOANS
March 2021**

	month%	annual%
Number		
Construction	-18.1	129.9
Purchase of newly erected	8.0	45.1
Purchase of existing dwellings	7.7	39.1
Refinancing	-0.0	22.1
Value		
Construction	-14.5	123.6
Purchase of newly erected	7.8	46.6
Purchase of existing dwellings	8.8	45.2
Alterations & Additions	2.0	63.4
Refinancing	0.6	24.7
State value		
NSW	8.2	39.0
Victoria	1.6	53.3
Queensland	1.1	68.5
South Australia	-2.8	59.2
Western Australia	-6.5	98.1
Tasmania	-5.0	41.0
Northern Territory	-0.7	87.3
ACT	5.4	40.1

Source: ABS, CommSec

What do you need to know?

Consumer sentiment – Week ended May 2

- The **weekly ANZ-Roy Morgan consumer confidence rating** rose by 0.3 per cent to 112.7 (long-run average since 1990 is 112.6). Confidence is up by 72.6 per cent since hitting record lows of 65.3 on March 29, 2020 (lowest since 1973).
- **Four** out of the **five** major components of the index **rose** last week:

ANZ-Roy Morgan Australian Weekly Consumer Confidence index

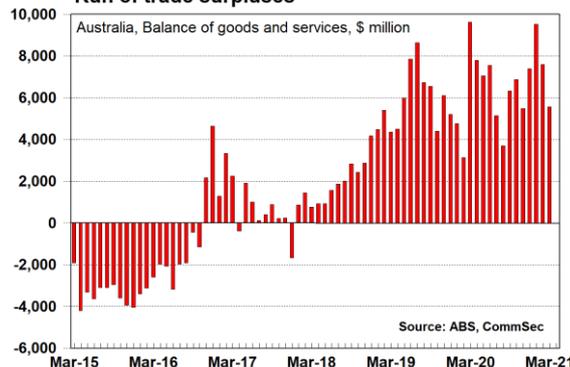
	As at May 2	Previous week
Estimate of family finances compared with a year ago	4.8	2.5
Estimate of family finances over the next year	24.2	23.8
Economic conditions over the next 12 months	6.8	5.9
Economic conditions over the next 5 years	6.7	9.2
Good time to buy a major household item?	21.1	20.8
Consumer confidence rating	112.7	112.4
Four week moving average	113.3	112.1
Inflation expectations	3.7	3.7

Source: CommSec, Roy Morgan, ANZ

Lending – March

- The value of **new loan commitments for housing** rose by 5.5 per cent to a record high \$30.227 billion in March.
- **Owner-occupier loans** were up 3.3 per cent to a record high \$22.413 billion in March. And **investor loans** were up by 12.7 per cent to a 3½-year high of \$7.814 billion.
- For owner-occupiers, the value of loans for **construction** fell by 14.5 per cent in March to \$3.635 billion. **Renovation** loans rose 2.0 per cent to 11-year highs of \$328.9 million. The above table has details of lending per category.
- The value of **owner-occupier first home buyer** loan commitments fell by 0.9 per cent in March to be up 61.4 per cent on the year.
- The seasonally-adjusted value of **first home buyer** loan commitments accounted for 30.4 per cent of all owner-occupier

Run of trade surpluses



commitments (excluding refinancing) in March.

- The number of owner-occupier **first home buyer** loan commitments decreased 3.1 per cent in seasonally adjusted terms to 15,623 in March (39.2 per cent of all loans).

International trade – March

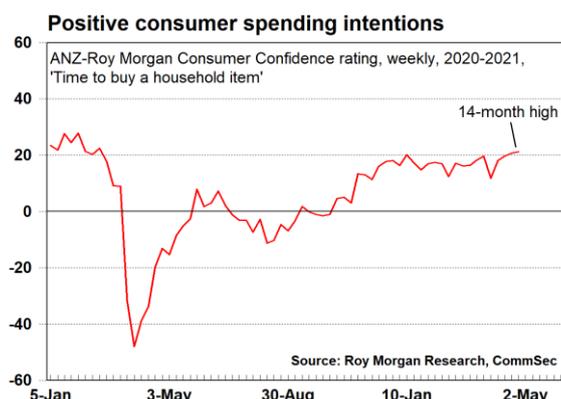
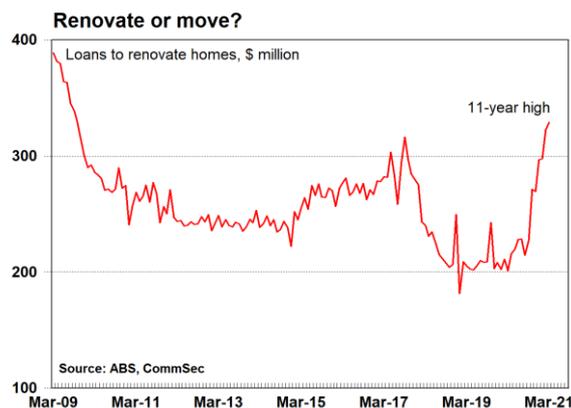
- The **trade surplus** decreased from \$7.595 billion in February to \$5.574 billion in March (consensus: \$8.2 billion). Australia has posted 39 successive monthly trade surpluses.
- The **rolling annual surplus** eased from a record \$83.979 billion in the year to February to \$79.519 billion in the year to March.
- Exports of goods and services** fell by 1.7 per cent (exports of goods fell by 1.7 per cent and exports of services fell 2.0 per cent).
- Imports of goods and services** rose by 4.3 per cent (goods imports rose by 4.8 per cent and services imports rose 0.5 per cent).
- Rural exports** fell 0.7 per cent, but **exports of non-rural goods** rose by 0.6 per cent. **Gold exports** dropped 25.0 per cent.
- Within imports, **consumer imports** rose by 1.5 per cent; **capital goods** imports lifted 4.7 per cent and **intermediate goods** imports rose by 3.2 per cent.
- A **net services surplus** of \$774 million was posted in March, down from a \$897 million surplus in February.
- Exports to China** rose by 16.8 per cent to \$13,423 million in March while **imports from China** rose 2.8 per cent to \$7,001 million.
- Australia's annual exports to China** rose from \$148.39 billion in February to \$149.08 billion in March. Exports to China are down 0.6 per cent on a year ago.
- Australia's annual imports from China** rose from \$86.59 billion in February to a record \$88.92 billion in March. Annual imports were up 15.5 per cent on a year ago.
- Australia's rolling annual trade surplus with China** eased from \$61.80 billion in February to \$60.16 billion in March.

Internal Migration – December quarter, 2020

- The Australian Bureau of Statistics (ABS) reported: “104,800 people moved interstate in the three months to the end of December 2020.
- 3,900 less people moved interstate compared with the December 2019 quarter.
- Capital cities had a net loss of 10,600 people from internal migration, compared with a net loss of 3,800 for the December 2019 quarter.”

What is the importance of the economic data?

- The **ANZ/Roy Morgan weekly survey of consumer confidence** closely tracks the monthly Westpac/Melbourne Institute consumer sentiment index but the former measure is a timelier assessment of consumer attitudes and is now closely tracked by the Reserve Bank.
- “**Lending Indicators**” 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.
- The monthly **International Trade in Goods and Services** release from the Bureau of Statistics provides estimates on exports and imports of physical goods (such as coal, beef and computers) and services (such as travel receipts). The balance of goods and services (BOGS) is a narrower description of Australia’s external position than the current account estimates. The import data is a useful gauge of consumer and business spending while exports reflect global demand as well as domestic influences such as drought.
- The ABS produces quarterly provisional statistics on **internal migration** between states and territories, and Greater Capital City Statistical Areas (GCCSAs) of



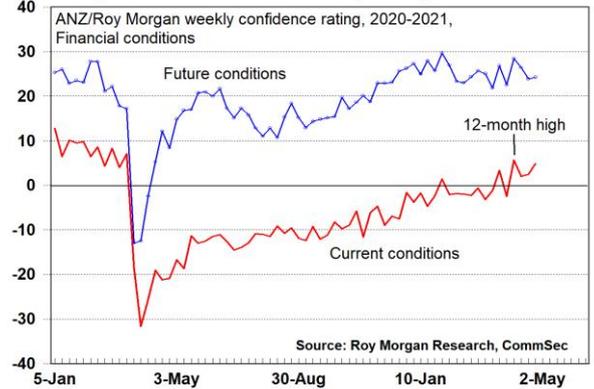
Australia. Internal migration is the movement of people across a specified boundary within Australia involving a change in place of usual residence.

What are the implications for investors?

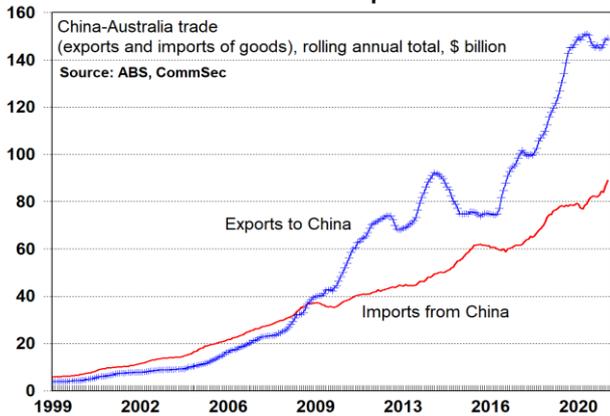
- Australia’s trade surplus narrowed in March, but the Aussie economy continues to benefit from strong Chinese demand for steel-making ingredient iron ore as our largest trading partner undertakes massive infrastructure projects. Chinese port stockpiles fell 2.2 per cent last week – the biggest drop since January – with steel prices at multi-year highs, boosting steel mill profitability and consumption.
- Citigroup commodity analysts are forecasting an extended deficit in the seaborne market, which could push Singapore traded iron futures above US\$200 a tonne in the next few weeks. Policy stimulus and record high iron ore prices are boosting the earnings of big Aussie miners BHP, Rio Tinto and Fortescue Metals. Shareholders can look forward to bumper dividend payouts.
- CBA Group economists expect solid trade surpluses to continue over the remainder of 2021, supported by the global economic recovery and firm commodity prices. That said, net exports are expected to detract around 1.4 percentage points from March quarter economic (GDP) growth.

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Budget boost from childcare package?



Trade tensions but record imports from China



Consumer confidence consolidates

