MARKET INSIDER

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FINANCE NEWS

Globally, an uneven economic recovery is under way after a very severe contraction in the first half of 2020. The future path of that recovery is highly dependent on containment of the virus. High or rising infection rates have seen a recent loss of growth momentum in some economies. In financial markets, volatility is low and the prices of many assets have risen substantially despite the high level of uncertainty about the economic outlook.

- The economy is being supported by the substantial, coordinated and unprecedented policy easing over the past six months. Fiscal policy is playing an important role. Public sector balance sheets in Australia are in good shape, which allows for continued support.
- Fiscal and monetary support will be required for some time given the outlook for the economy and the prospect of high unemployment.
- After slipping by 0.3 per cent in the March quarter, Australian economy contracted by 7.0 per cent in the June quarter. It was the biggest quarterly decline in output since quarterly records began in 1959. The economy is now in recession.
- The economy fell 6.3 per cent over the year – the biggest annual decline for the economy since 1945.
- Home prices are variable across the country and Council approvals to build new homes rose by 12 per cent in July.
- The CoreLogic Home Value Index of national home prices fell by 0.4 per cent in August, but was still 5.8 per cent higher over the year.
- Aussie consumers - ANZ-Roy Morgan's consumer confidence index lifting for the third time in the past four weeks.

WHAT ARE MY MORTGAGE DEFERRAL OPTIONS?

Under the mortgage deferral scheme, banks gave customers an option to pause their mortgage repayments for up to six months. Over 500,000 Australians opted for a mortgage repayment 'holiday' and, now as we are in recession, many homeowners are concerned about resuming their mortgage repayments while facing a drop in their pre-COVID income.

Keep in mind if you're facing financial hardship, you could defer your mortgage repayments for a period of three to six months without falling into arrears. However, once the period is up, your repayments will revert back to normal.

The second option is to Renegotiate your loan. This is where you may find the use of a mortgage brokering service to be of great value. For example, if your current loan term is 15-20 years, it could be extended to 20-25 years to spread out your repayments.

Third, you could also switch to an interest mortgage only loan. If you are on a principal and interest only loan you could negotiate with your bank to convert the loan to a more feasible option. The time period is usually one year and your loan will revert back to principal and interest once it has lapsed.

ECONOMIC OUTLOOK

- The RBA estimates the hit from the Victorian outbreak to national GDP at about 2 per cent. That's assuming the tight restrictions have to be in place for only 6 weeks. Australia has doubled the number of people on JobSeeker to 1.5 million people. JobKeeper is even bigger, supporting 3.5 million jobs. The Job Keeper payment rate will reduce from $1500 per fortnight for eligible employees & business participants to $1200 per fortnight from 28 September 2020 & to $1000 per fortnight from 4 January 2021.
- The government is expecting wages growth to be very low in 2020/21 at 1.25 per cent.
- Australia's net debt is expected to grow from A$373.6 billion in 2018-19, to A$488.2 billion in 2019-20 & A$677.1 billion in 2020-21.

Information within in this publication has been sourced from various publications including APRA, ABS, Corelogic, Real Estate.com.au, CBA, RBA and other banking reports.

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