MARKET INSIDER

OCTOBER 2020

FINANCE NEWS

The COVID-19 global pandemic has forced governments - as well as businesses, employees and the wider community - to adapt in ways and at speeds that are unprecedented. The Federal Budget 2020 presents an opportunity to take stock of the cumulative effect of both the health and economic crisis. And the scale is staggering - a budget deficit of $213 billion for FY2020-21, perhaps a decade or more before the budget returns to balance, and net debt peaking at $966 billion, or around 44 per cent of GDP.

- Survey of payrolls & wages: The Bureau of Statistics (ABS) reported that between September 5 and September 19, national payroll jobs rose by 0.3 per cent with Victorian jobs up by 0.4 per cent.
- The job market continues to heal. The lift in wages and jobs over the month supports the Reserve Bank decision to leave rates unchanged, rather than employing further monetary easing.
- Before the foreign borders were shut, Aussies spent around $1.7 billion on overseas goods with their credit cards. Today, it's more like $600-700 million. But the evidence so far is that the money that was typically spent on holidays overseas, hasn't been fully deployed in the local market. So there are more opportunities for Aussie businesses if they can get consumers to part with their dollars.
- September marked a turn in housing market sentiment; consumer confidence increased, new listings rose, and six of the eight capital cities recorded a rise in home values over the month. However, falling values in Melbourne and Sydney, which make up approximately 40% of Australian's housing stock by number and 55% by value, pushed the national reading into a fifth straight month of decline.

SHOULD I FIX MY MORTGAGE RATES?

Borrowers are faced with an interesting dilemma. Do you take up the competitive rates on offer by converting the loan from a variable rate to a fixed loan rate. Or do you leave it as is and take the chance and wait patiently for the banks to offer lower rates than currently on offer.

Two sides to this coin flip. Side A - Some borrowers believe locking in a fixed rate gives a feeling of confidence knowing for definite what they will be faced with regard to their repayments over the fixed rate period. This position will safe guard them from any potential increases in interest rates during the term of the loan. Side B - One important factor overlooked, is a variable rate loan will provide choice and flexibility. That being the ability to make additional repayments (in order to pay the loan off sooner) as well as no break lease or early pay out penalties.

Moreover if personal plans change the loan facility is much easier to discharge giving greater options to the investment. Speaking with a mortgage professional will allow you to understand what your options are, as when it comes to restructuring your loan and your mortgage repayments it will be based on your personal financial goals.

ECONOMIC OUTLOOK

- Many Aussies are now undertaking domestic trips, as the evidence suggests that Aussies aren't totally replacing domestic purchases for foreign spending. It's expected some of the money instead of travel will be used on renovations, as more people work from home.
- Australia moves from managing the immediate impacts of the health and economic crisis, to recovery, stabilisation and normalisation, it will be critical to ensure that initiatives adapt to focus productivity-enhancing programs, investment and job creation.
- The new way of tracking the outlook for interest rates is to track job markets changes. The lift in jobs over September points to some stabilization in the job market. But there is a long way to go. Rates are likely to be on hold for three years.

**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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