



HD **Moody's: Australian residential mortgage delinquencies fall for a fourth year**

WC 2,029 words

PD 17 September 2014

SN Moody's Investors Service Press Release

SC MOODPR

LA English

CY (c) 2014

LP

Moody's Investors Service says that delinquencies in excess of 30 days in Australian prime residential mortgage loans have fallen for a fourth consecutive year, as a 10.2% growth in national house prices for the 12 months to July 2014, and a record low official cash rate of 2.5% since August 2013 helped keep delinquencies low.

Steady economic growth -- namely an increase in gross domestic product of 3.1% year-on-year to June 2014 -- also supported the mortgage market, despite an increase in unemployment over the same period.

TD

"The proportion of residential mortgages across Australia that were more than 30 days in arrears fell to 1.4% in May 2014 from 1.6% in April 2013, and 1.9% in 2011," says Alena Chen, a Moody's Assistant Vice President and Analyst.

"Of the eight states and territories, New South Wales and Queensland experienced the largest falls of 0.3 percentage points. The Australian Capital Territory and Northern Territory were the best performers, while South Australia and Tasmania were the worst performing," adds Chen.

Moody's analysis is contained in its just-released report titled "Australian Residential Mortgage Delinquency Map - May 2014: Delinquencies Fall Amid Record Low Interest Rate and Strong Housing Market," and is authored by Chen.

Moody's report says that nationally, capital cities exhibited lower delinquency rates than non-metropolitan regions in all states except Tasmania, with the majority of the 10 worst performing regions in Australia located outside major metropolitan areas.

In contrast, all the 10 best performing regions in Australia were located in capital cities.

On Sydney's housing market, Moody's report points out that house prices in Sydney have buoyed the economy in New South Wales, and helped keep delinquencies low. Sydney house prices rose 14.8% year-on-year as of July 2014; the largest increase among Australia's capital cities.

In Queensland, the lower delinquencies in May 2014 versus April 2013 reflected a solid annual house price growth of 6.9% in the state's capital city of Brisbane. There was also an improvement in some areas of the state, where severe flooding triggered an increase in arrears in 2013.

Moody's report says that while South Australia and Tasmania were the worst performing among the eight states and territories for mortgage delinquencies, arrears in both states fell in May 2014 compared to April 2013.

In addition, while South Australia and Tasmania exhibited the highest unemployment rates among the eight states and territories of 7.2% and 7.6%, South Australia's unemployment rate rose 2.8% year-on-year versus the national average unemployment growth rate of 12.4%. Tasmania's unemployment rate fell 6.6% over the same period.

The Australian Capital Territory and Northern Territory were the best performers, with the lowest levels of delinquencies in Australia; continuing the trend seen in previous years.

Moody's report says that because a high proportion of borrowers in both territories are employed in government jobs -- which are more stable and secure when compared to jobs in the private sector -- borrowers in the two territories are associated with low mortgage delinquency rates.

Mortgage delinquency rates for Western Australia -- the state most dependent on the mining industry and which would be the most exposed to a fall in commodity prices -- were stable between May 2014 and April 2013.

Delinquency rates in Victoria were also stable. **Property** prices in its capital city, Melbourne increased by 11.0% in the year to July 2014, compared to the national average of 10.2%.

Moody's outlook for the performance of mortgages in prime **residential** mortgage backed securities for the remainder of 2014 is stable. This view is underpinned by our economic forecasts for modest GDP growth of 2.5%-3.5%, a continuation of the low cash rate of around 2.5%, and a broadly stable unemployment rate of 5.5%-6.5%.

Subscribers can access the report at https://www.moodys.com/viewresearchdoc.aspx?docid=PBS_SF380422 and the supplementary excel data report at http://www.moodys.com/viewresearchdoc.aspx?docid=PBS_SF380444.

NOTE TO JOURNALISTS ONLY: For more information, please call one of our global press information hotlines: New York +1-212-553-0376, London +44-20-7772-5456, Tokyo +813-5408-4110, **Hong Kong** +852-3758-1350, Sydney +61-2-9270-8141, Mexico City 001-888-779-5833, São Paulo 0800-891-2518, or Buenos Aires 0800-666-3506. You can also email us at mediarelations@moodys.com or visit our web **site** at www.moodys.com.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Alena Chen

Asst Vice President - Analyst

Structured Finance **Group**

Moody's Investors Service Pty. Ltd.

Level 10

1 O'Connell Street

Sydney NSW 2000

Australia

JOURNALISTS: (612) 9270-8102

SUBSCRIBERS: (852) 3551-3077

Marie Lam

Associate Managing Director

Structured Finance **Group**

JOURNALISTS: (852) 3758 -1350

SUBSCRIBERS: (852) 3551-3077

Releasing Office:

Moody's Investors Service Pty. Ltd.

Level 10

1 O'Connell Street

Sydney NSW 2000

Australia

JOURNALISTS: (612) 9270-8102

SUBSCRIBERS: (852) 3551-3077

© 2014 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO **PURCHASE**, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR **PURCHASE**, HOLDING, OR **SALE**.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and **commercial** paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody's.com under the heading "Shareholder Relations -- Corporate Governance -- Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.

NS e1121 : Home Sales/Housing Affordability | e1116 : Employment/Unemployment | c174 : Corporate Credit Ratings | npress : Press Releases | c17 : Funding/Capital | c172 : Corporate Debt Instruments | cactio : Corporate Actions | ccat : Corporate/Industrial News | e11 : Economic Performance/Indicators | ecat : Economic News | ereal : Real Estate Markets | ncat : Content Types | nfact : Factiva Filters | nfcpin : FC&E Industry News Filter

RE austr : Australia | nswals : New South Wales | saustr : South Australia | sydney : Sydney | tasman : Tasmania | apacz : Asia Pacific | ausnz : Australia/Oceania

IPD Moody's Investors Service

PUB Moody's Analytics, Inc.

AN Document MOODPR0020140917ea9h000gp