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Investors abandon the banks in favour of shares and property

PETER MARTIN
GARETH HUTCHENS
ECONOMY

AUSTRALIANS are abandoning banks and ploughing their savings instead into real estate and the sharemarket. As the S&P/ASX 200 climbed to 4583.8 – its highest point in 18 months – new figures show a dramatic slide in the proportion of Australians believing banks are the wisest place for their savings.

Three months ago, the Westpac-Melbourne Institute quarterly survey showed 39 per cent of Australians regarded banks as the wisest place to park their funds. The December reading shows the proportion has now slipped to 35 per cent.

The Reserve Bank cut interest rates twice between the two surveys, slicing the typical rate on a bonus savings account from 5.0 per cent to 4.5 per cent and the typical rate on a cash management account from 2.2 per cent to 1.7 per cent.

At the same time, the grossed-up dividend yield on Australian shares has been climbing, meaning they have provided a better deal than bank deposits for some months now, according to calculations by AMP Capital's Shane Oliver.

The proportion of Australians who nominate shares as the wisest place for savings climbed from 5.5 per cent to 6.3 per cent.

The proportion nominating real estate soared from 20 per cent to 24 per cent – the highest in seven years.

A separate question about whether now was a good time to buy real estate received the most positive response in three years.

ABS figures released on Monday showed new loans to investors up 19 per cent over the past year.

"The stage is set for a solid recovery in housing. Affordability is now about as good as it has been over the past 30 years, while supply has failed to keep pace with demand," Barclays economist Kieran Davies said.

"Loans to investors are climbing at their fastest pace since 2003, although without the speculative excesses that marred that earlier boom. Despite high development costs, particularly in Sydney, the attractiveness of investing in property has increased with higher

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SHIPPING

EXPECTED ARRIVALS

SPIRIT OF TASMANIA I Station Pier inner east, 5.20am. **GRASMERE MAERSK** Swanson Dock 4 east, 5.30am. **VICTORIAN RELIANCE** Webb Dock 1 east, 6am. **SEAROAD MERSEY** Webb Dock 2 east, 7am. **VICTORY LEADER** Webb Dock 5 east, 10.30am. **APL RIYADH** Swanson Dock 3 west, 1pm. **GOLIATH** South Wharf 26, 1pm. **KOTA JAYA** Swanson Dock 1 east, 5.30pm. **BAHIA BLANCA** Swanson Dock 1 west, 9pm.

EXPECTED DEPARTURES

NEW AMITY (T) Anchorage - outer, 12.01am. **MSC PRAGUE** Swanson Dock 4 east, 3am. **XIN QUAN ZHOU** Swanson Dock 4 west, 6.30am. **STOLT JASMINE (T)** Maribyrnong No.1, 12pm. **SINGA ACE** Webb Dock 4 east, 3pm. **TOSCANA** Appleton Dock D, 4pm. **SEAROAD MERSEY** Webb Dock 2 east, 4.30pm. **VICTORIAN RELIANCE** Webb Dock 1 east, 5pm. **IVER EXPRESS (T)** Holden Dock, 5.30pm. **FAR SUPPLIER** South Wharf 29, 6pm. **SPIRIT OF TASMANIA I** Station Pier inner east, 7.30pm. **SEAMERIDIAN (T)** Anchorage - outer, 11.24pm. **VICTORY LEADER** Webb Dock 5 east, 11.59pm.

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Investors abandon the banks for shares and property

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rental yields and lower mortgage rates."

Analysts are split on where they think the sharemarket will be by the end of next year. UBS analyst Abby Macnish expects the S&P/ASX 200 to be 8 per cent higher, sitting at about 4950 points, thanks to solid growth in earnings per share.

But the Australian strategist for Nomura, Tim Rocks, said the market would likely be sitting about 4200 points – representing a fall of 8 per cent.

"Fundamentally, it's still a market going down because there's no earnings growth," he said. "The second half of next year probably looks more worrying than the first half because I think you'll get some tightening of Chinese policy through the middle of next year."

Economic views differ wildly

However, in the short term the market could move higher because China's first-quarter growth figures were typically strong and a resolution to the US "fiscal cliff" problem could make investors feel briefly more optimistic.

The overall consumer confidence findings are dismal. Confidence dipped 4.1 per cent in December after climbing 5.2 per cent in November, meaning confidence has been close to flat all year in the face of four Reserve Bank rate cuts.

The figures come as – Reserve Bank governor Glenn Stevens told a conference in Thailand on Wednesday – there were limits to what central banks could do.

"Central banks can provide liquidity to shore up financial stability and they can buy time for borrowers to adjust. But they cannot, in the end, put government finances on a sustainable course. They cannot shield people from the implications of having mis-assessed their own life-time budget constraints and as a result having consumed too much," he said.

"They cannot combat the effects of population ageing or drive the innovation that raises productivity and creates new markets."