



Economic and housing market update

Eleanor Creagh

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- Tax cuts are being saved
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- Prices continue to grow but pace of growth is slowing as buyers enjoy more choice
- Multi-speed market evident
- Rental market stabilises



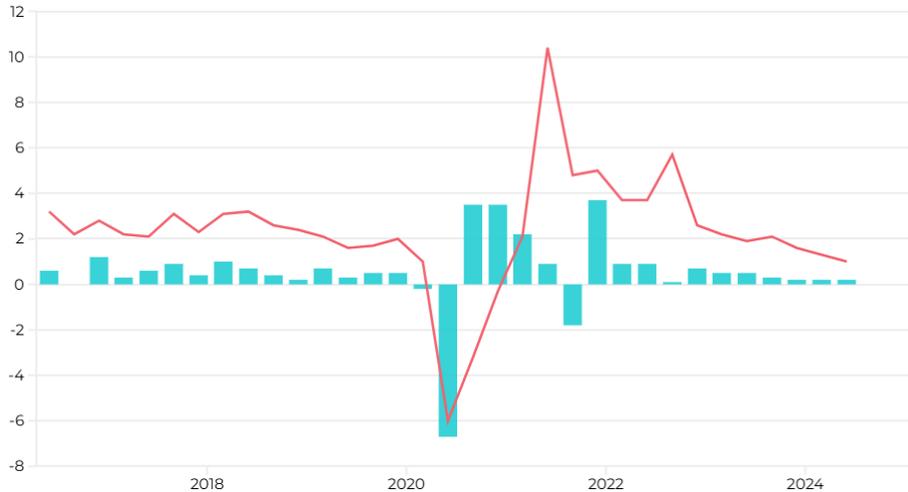
Economic overview



The economy stalled at an aggregate level while moving backwards on a per capita basis in 1H24

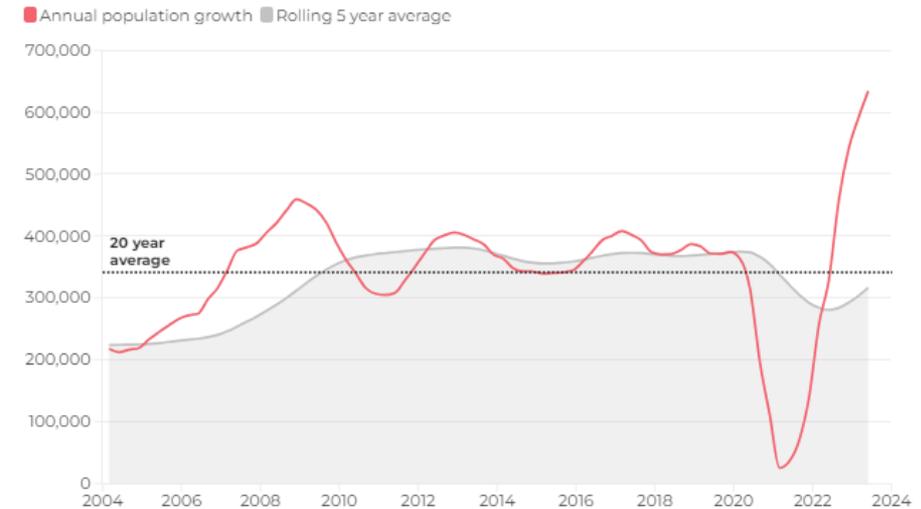
GDP growth, seasonally adjusted

Annual and quarterly % change



Annual population change

Compared to 5 year and 25-year average



At 1.5%, annual financial year economic growth, excluding the COVID-19 pandemic period, was the lowest since 1991-92 - the year that included the gradual recovery from the 1991 recession.. Amid strong population growth, GDP per capita went backwards for the 6th consecutive quarter.

Unemployment rate steady at 4.1% in October, wages growth disappoints RBA's forecast

Unemployment rate, seasonally adjusted

RBA forecast unemployment rate (quarterly, %)



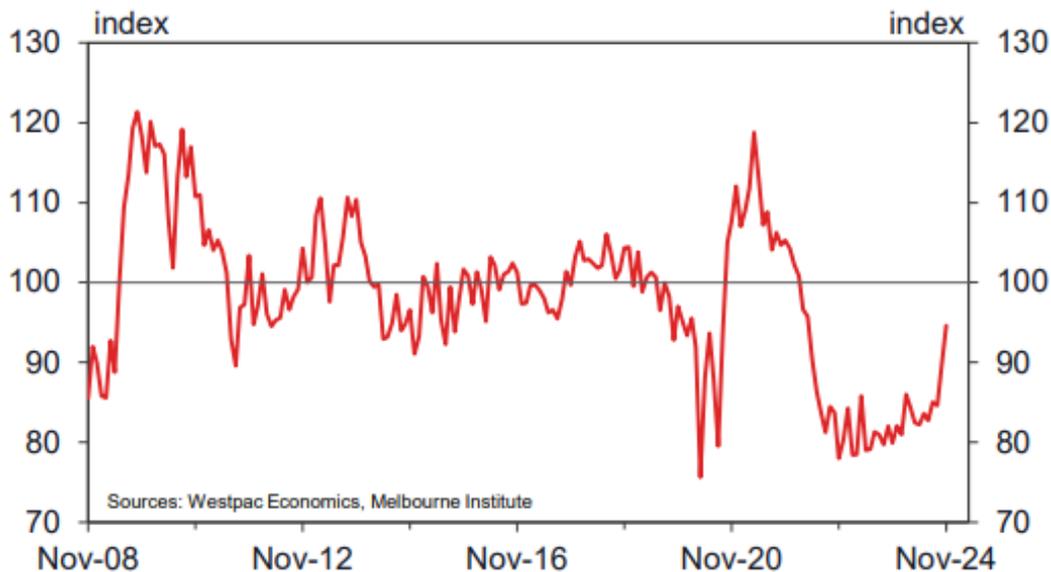
All sector WPI, annual and quarterly % change

RBA forecast annual % change



Consumer sentiment lifts but remains below average, consumers remain cautious

Consumer sentiment index

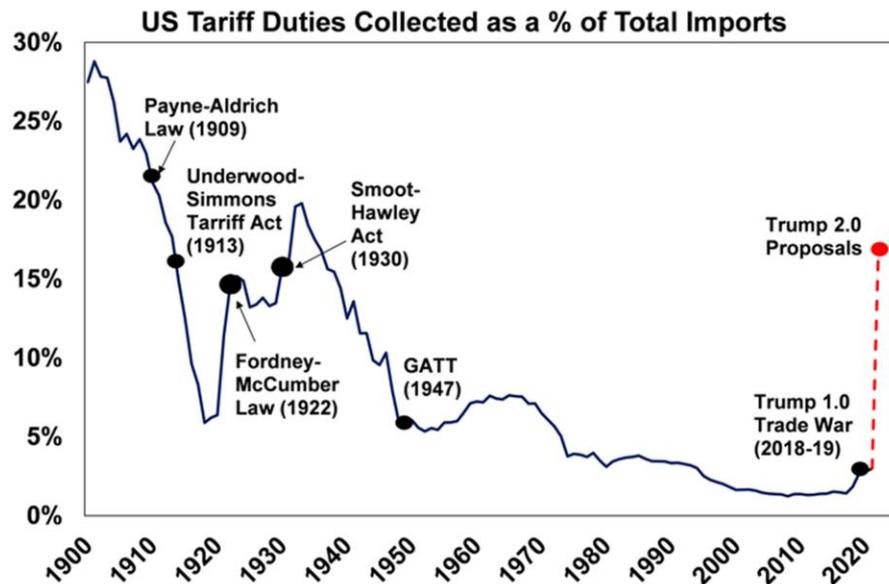


Estimated tax cut boost per person, Q3 2024

	Jul-24	Aug-24	Sep-24	Cumul.
Full sample	218	195	191	604
age group: 18-24	119	100	94	313
25-34	244	213	207	664
35-44	304	274	268	846
45-54	311	282	276	869
55-64	261	232	227	721
65+	77	71	71	218
inc. quintile: first	20	16	15	51
second	50	43	42	135
third	229	197	189	614
fourth	478	428	421	1327
top	624	608	606	1838
mortgage	376	345	341	1062
no mortgage	182	161	156	499

*original terms, not seasonally adjusted

Trump uncertainty – implications for Australia

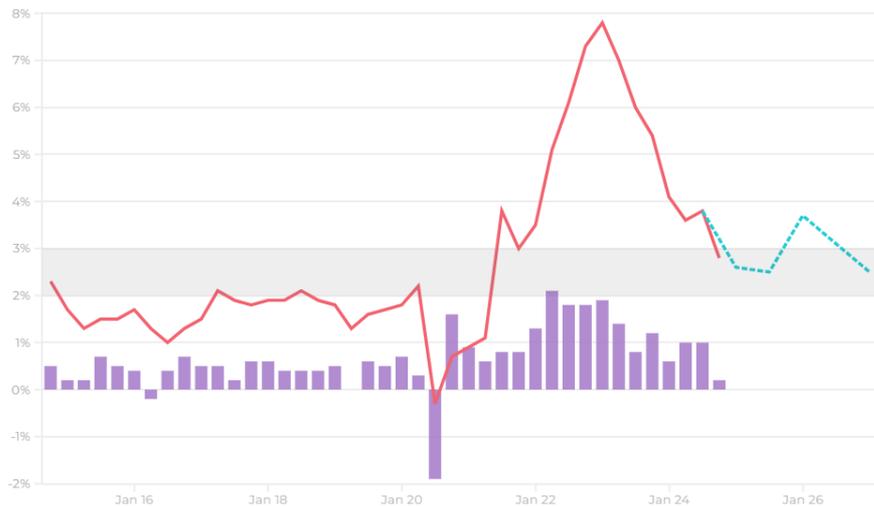


- The return of Donald Trump to the US presidency brings the prospect of US tax cuts and deregulation but also tariffs and trade wars and policy uncertainty.
- Australia is vulnerable to a resumption of trade wars.
- Tariff risk could prolong inflation in the US. Chinese economic growth would likely slow due to trade restrictions, even after fiscal stimulus.
- For now, policy uncertainty is the main theme, increased uncertainty may way on growth and employment outcomes.

Timing for interest rate cuts is uncertain, underlying inflation remains too high

All groups CPI, annual and quarterly % change

RBA forecast CPI annual % change



Trimmed mean inflation, annualised 3-month % change

RBA forecast trimmed mean inflation annual % change



Where to for the economy?

- Economic growth to improve into next year but remain well below long-term average levels
- Government spending is a particularly strong driver of economic growth
- Headline inflation in target range but underlying inflation, which is a better guide to inflation momentum, is easing more slowly.
- Trimmed mean inflation is expected to reach 2.5% by late 2026.
- Interest rates to remain on hold until next year.
- The unemployment rate is expected to rise over the coming year.
- Wages growth has peaked and is expected to continue to slow gradually.
- Population growth to slow from record-highs but remain at an elevated level driving demand across the economy.

Table 3.1: Detailed Forecast Table^(a)Percentage change through the four quarters to quarter shown, unless otherwise specified^(b)

	Jun 2024	Dec 2024	Jun 2025	Dec 2025	Jun 2026	Dec 2026
Activity						
Gross domestic product	1.0	1.5	2.3	2.3	2.3	2.2
Household consumption	0.5	1.0	2.0	2.9	2.6	2.3
Dwelling investment	-3.0	-0.7	-0.9	0.5	1.3	2.0
Business investment	2.2	0.0	0.8	1.7	2.6	3.1
Public demand	3.6	4.0	4.4	3.7	3.1	3.0
Gross national expenditure	2.2	2.0	2.5	3.0	2.7	2.6
Major trading partner (export-weighted) GDP	3.1	3.2	3.5	3.5	3.4	3.3
Trade						
Imports	5.2	7.2	3.9	5.1	4.0	2.9
Exports	0.1	3.2	2.7	2.3	2.4	1.2
Terms of trade	-3.9	-5.7	-2.2	-0.7	-1.2	-1.1
Labour market						
Employment	2.4	2.6	2.2	1.4	1.3	1.3
Unemployment rate (quarterly, %)	4.1	4.3	4.4	4.5	4.5	4.5
Hours-based underutilisation rate (quarterly, %)	5.3	5.6	5.7	5.9	5.9	5.9
Income						
Wage Price Index	4.1	3.4	3.4	3.2	3.2	3.1
Nominal average earnings per hour (non-farm)	5.9	3.1	4.2	3.9	4.0	3.5
Real household disposable income	0.4	3.2	3.9	2.4	2.7	2.4
Inflation						
Consumer Price Index	3.8	2.6	2.5	3.7	3.1	2.5
Trimmed mean inflation	4.0	3.4	3.0	2.8	2.7	2.5
Assumptions						
Cash rate (%) ^(c)	4.3	4.3	4.1	3.7	3.5	3.5
Trade-weighted index (index) ^(d)	62.6	61.8	61.5	61.5	61.5	61.5
Brent crude oil price (US\$/bbl) ^(e)	85.0	72.4	71.6	71.6	71.6	71.6
Estimated resident population ^(f)	2.2	1.9	1.6	1.2	1.1	1.3
Memo items						
Labour productivity ^(g)	0.8	-1.0	0.5	1.1	1.1	1.1
Household savings rate (%) ^(h)	0.6	3.2	2.7	2.7	2.7	2.7
Real Wage Price Index ⁽ⁱ⁾	0.2	0.8	0.9	-0.4	0.1	0.6
Real average earnings per hour (non-farm) ^(j)	2.0	0.6	1.6	0.2	0.9	1.0

Source: RBA Statement on Monetary Policy – November 2024

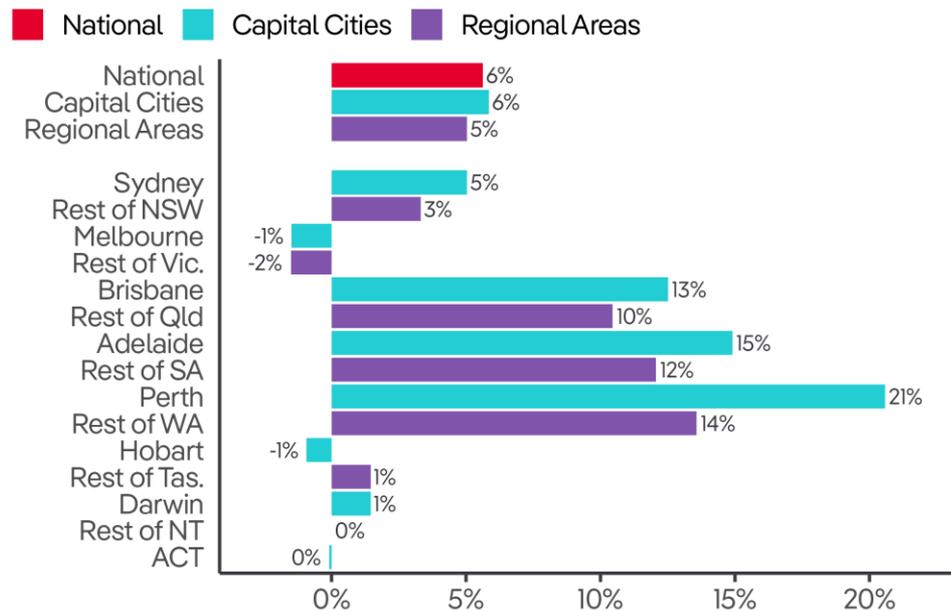
Home prices and trends



Fundamental drivers have offset higher interest rate environment

Annual home price growth

Year to October 2024, all dwellings

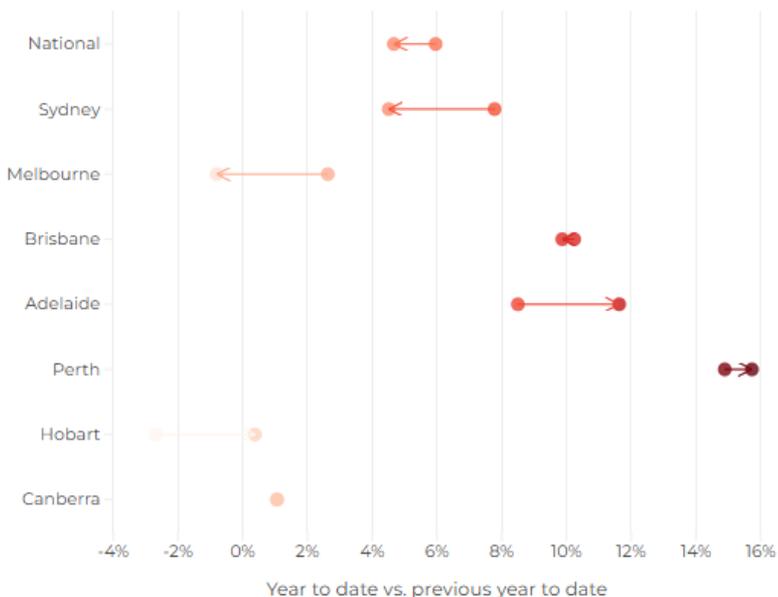


- ✓ **Strong working age population growth**
- ✓ **Low unemployment rate, wages growth, income growth** with tax cuts
- ✓ **Large deposit buyers**, equity gains
- ✓ Residential **vacancies at historic lows**
- ✓ Residential **rents growing strongly**
- ✓ Shifting preferences add to demand – **smaller households**
- ✓ **Slowdown in completion of new builds** hampering new supply
- ✓ **Housing shortfall** - Restrictions on planning affect availability of new supply

Price growth has slowed through winter and into Spring, slowing to continue

Home price growth

Year to date compared with 2023, all dwellings



Total listings

Percent deviation from 5-year average

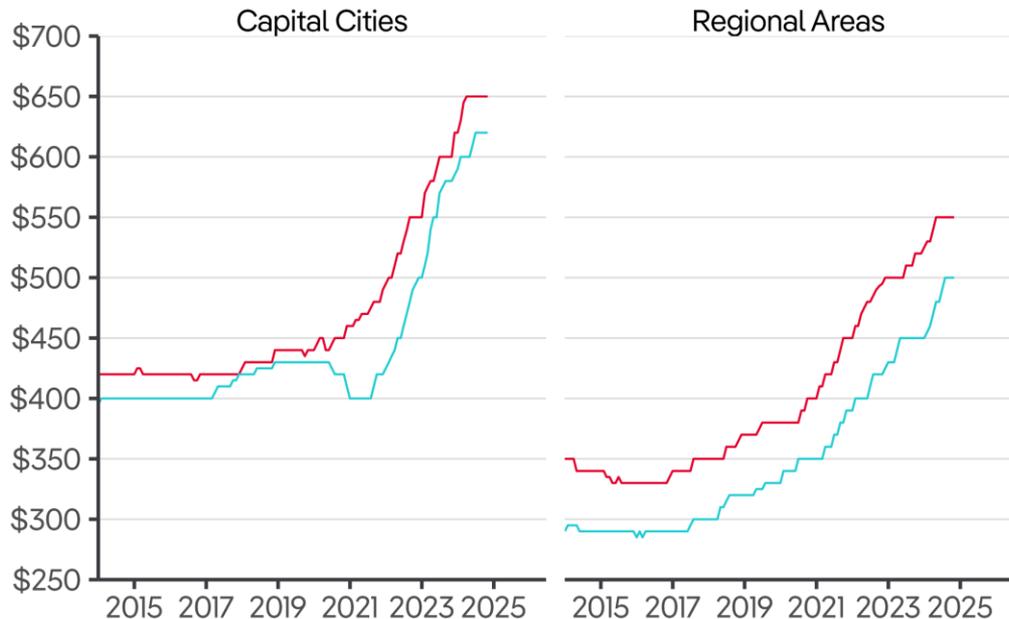
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Some early evidence of an easing in rental markets and slowing rent growth

Median Advertised Rents

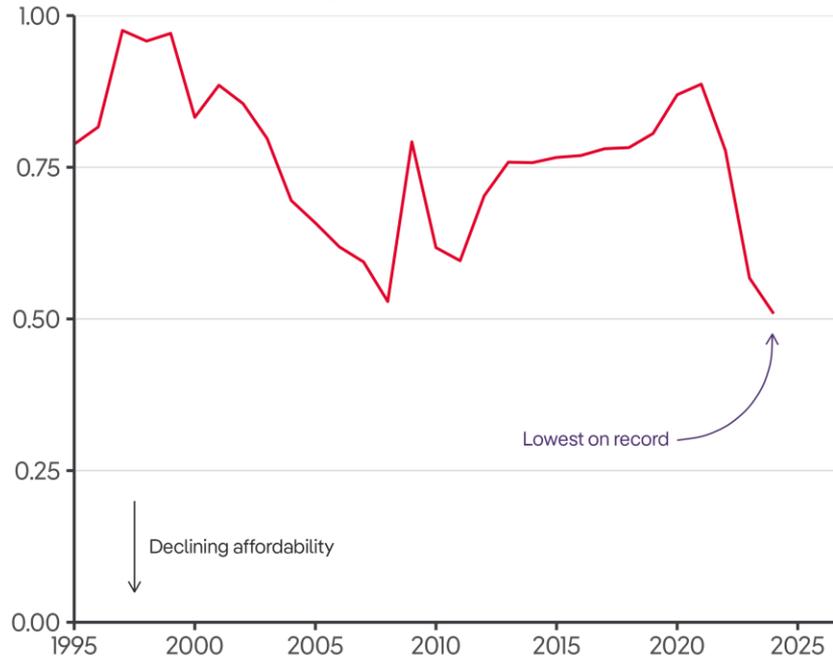
— Houses — Units



This is likely a combination of seasonality, lower housing demand, and affordability constraints

Housing affordability is at a record low

PropTrack Housing Affordability Index

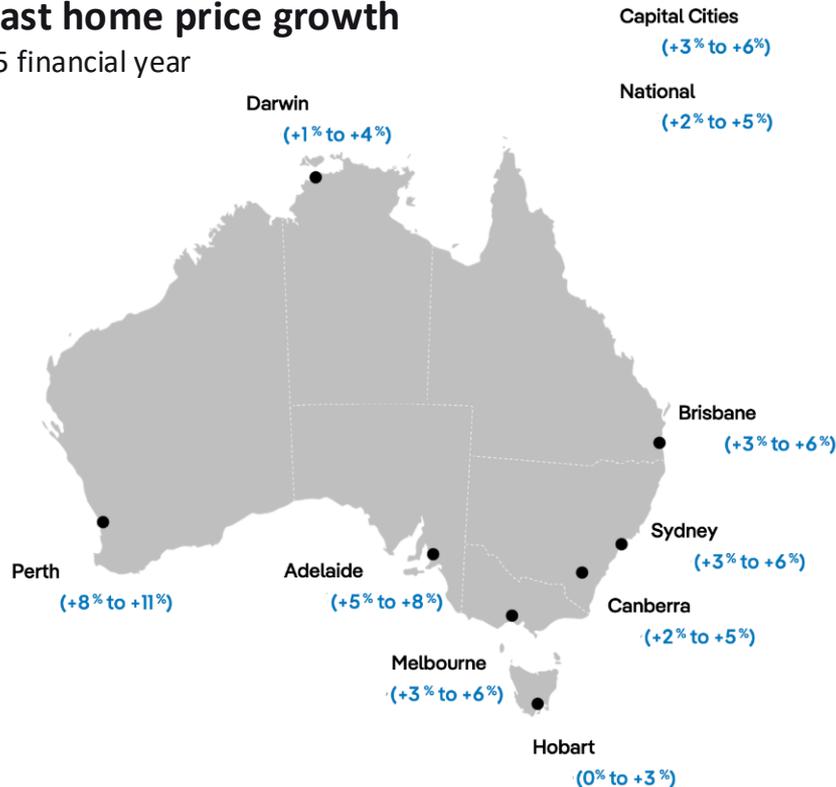


- Continued rapid increases in home prices, along with interest rates at the highest levels in the past decade, have resulted in the worst housing affordability conditions on record.
- In the 12 months to June 2024, households across the income distribution could afford the smallest share of homes since 1995, when our records began.

House prices to rise more gradually, regional disparities to continue

Forecast home price growth

2024-25 financial year



Regional disparities in property price growth to continue, despite growth slowing.



PropTrack