

# Thinktank..

## Monthly Market Focus

January 2024







The following represents a monthly snapshot of how we see the property markets across the country along with the near-term outlook.

For more in depth commentary, please visit our website [thinktank.net.au](http://thinktank.net.au) for our latest Quarterly Market Update.

This month in our News and Views we take a closer look at the upcoming changes to the RBA, its Board structure and the potential impact on Monetary Policy.

The Westpac-MI Consumer Sentiment Index rose slightly in December by 2.7% to 82.1, up from 79.9 in November but still described as very weak. The Westpac Leading Index was also up at +0.30 in November from -0.39 in October and breaking its string of negative reads since August '22 but Westpac expressed surprise at what it described as the uptick being due to temporary factors.

The AiG Australian Industry Index has not published for December but fell in November by 12.5 points to be further into negative territory. This indicates strongly contractionary conditions. The index has indicated contraction for the last nineteen months.

As mentioned in last month's Market Focus we are featuring a special News and Views on the changes taking place at the RBA. Along with the structure of the Board we discuss current commentary on the Cash Rate and the prospects for changes to Monetary Policy both here and overseas.

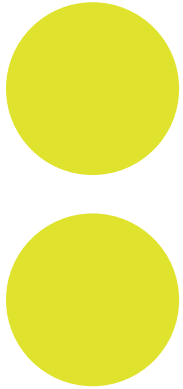
Key recent statistical releases in late November were very weak Retail Sales down 0.2% for the month of October and up only 1.2% for the year. The unemployment rate of 3.9% in November was up 0.2% from October and is forecast to be little changed in the near term.

The November indicator CPI to be released on 10 January is expected to ease to 4.4% from 4.9% in October. The more important 4Q CPI will be released on

31 January, the week before the RBA's February Board meeting at which the Cash Rate will be considered; the CPI for the September quarter was 5.4% and an improvement is expected.

Internationally the US Federal Reserve held rates steady at its December meeting as did the Bank of Canada. In early January 10 year US Treasury Yields were trading down at 4.05% and AUS 10 year Gov't bonds were at 4.19% with the US yield still inverted from the 2 year at 4.38% by 33 bps with AUD 3 year Gov't bonds down to 3.77%. The AUD had risen last month to USD 0.68 but is now once again closer to USD 0.67 .





CoreLogic dwelling prices for December continued their recovery across almost all Capitals but again at very different paces with only Melbourne down slightly at -0.3% and Perth again leading the way at +1.5% for the month. National Housing values posted a 0.4% gain for the month but being the end of the year, we are showing you the Annual Change in the graph below with Perth again leading the way at +15.2% and with Melbourne last amongst the major Capitals but still positive at +3.5%.

For the month houses in Sydney were up just 0.2% and Melbourne fell by -0.4%. Unit prices were flat for the month in Sydney and down -0.1% in Melbourne. Adelaide, Perth and Brisbane all did very well once again this month leading the Capitals with all three up in both Houses and Units for both the month and the quarter. With the New Year starting, momentum in the last quarter remains with the smaller Capital Cities and expectations of lower interest rates should be positive for ongoing trends.

## Ratings & Trends

We continue to reflect the improvement of Residential in almost all areas and have held our Ratings and Trends for each of the five Capitals while all Capitals except Melbourne are showing positive CoreLogic Housing results for the month and quarter. We maintain our optimism that interest rates are on hold and as noted above momentum is positive. Retail continues to be showing some recovery although volatile, especially secondary although sales look to be flat. Industrial remains very strong across the country as reflected in a number of national research reports. While Office is doing better in some Capitals, a real recovery remains some time into the future with high vacancy rates and uncertain valuations. This results in no change to our Rating and Trends shown below but with close attention to be paid during the first quarter of 2024.

	Sydney	Melbourne	Adelaide	Brisbane	Perth
Resi – Homes	Fair ●	Fair ●	Good ●	Good ●	Good ●
Resi – Units	Fair ●	Fair ●	Good ●	Good ●	Good ●
Office	Fair ●	Fair ●	Good ●	Fair ●	Good ●
Retail	Weak ●	Weak ●	Good ●	Fair ●	Fair ●
Industrial	Strong ●	Strong ●	Good ●	Good ●	Good ●
● Stable ● Improving					

## News & Views

Early in 2023 the Federal Government announced plans to introduce changes to the structure and operating procedures of the Reserve Bank of Australia (RBA) and its Board. The timing of the changes broadly fit in with the change in Governor with the replacement of Governor Phillip Lowe by his Deputy, Michele Bullock which took place in September.

The “Review of the Reserve Bank” and the Governments response was released in April 2023. An important change to Reserve Bank Board meetings dates was then announced in July 2023 reducing the number of meetings from eleven each year to eight but lengthening them to two days.

The quarterly Statement on Monetary Policy (SoMP) will continue to be issued being provided at the end of the RBA Board meetings held in February, May, August and November.

A change in the Board structure will also take place with these decisions being made by a new Monetary Policy Board which will come into effect later in 2024 with new Board members appointed and with Governance remaining the responsibility of the existing Board. Some positions to the new Monetary Policy Board have already been announced including the Secretary to the Treasury with emphasis that the Secretary will be acting in their individual capacity and not at the direction of the Treasurer.

It should be noted that many of these changes (251 in total) recommended by the independent committee in report titled “An RBA fit for the Future”. The key dual board model is similar to the Bank of Canada and the Bank of England. Other appointments have also been announced with a new Deputy Governor Andrew Hauser coming from the Bank of England where he had served for 30 years. Sarah Hunter has also been appointed as Chief Economist and Assistant Governor, replacing Luci Ellis who has resigned to take on the role as Chief Economist at Westpac Banking Corporation following the retirement of long-serving Bill Evans.

The next Statement on Monetary Policy (SoMP) will be released at the same time as the outcome of the Board meeting in February. The forecasts of the Economic Outlook will be closely scrutinised, and it is worthwhile to look at the November 2023 release and the Output Growth and Inflation Forecasts that were made at the time. The extract from the SoMP is shown below together with the previous forecasts in brackets.

We can see the importance of the CPI Inflation figure to be released by the ABS on 28 January 2024 the week before the February RBA Board meeting. Having been increased to 4.5% from 4.25% it will be very important that the December 2023 figure is within this earlier estimate. A positive sign is the November 2023 CPI Indicator which has come in at 4.3% for the 12 months, having fallen each of the last two months from September 2023 at 5.6% and October 2023 at 4.9%. This is a very good trend, and we view it as a reassuring factor in interest rates having peaked with the prospect of reductions later this calendar year. The additional commentary to be provided by the RBA with their announcements of Monetary Policy decisions will be very useful in forecasting future interest rate movements.

	Year-ended					
	Jun 2023	Dec 2023	Jun 2024	Dec 2024	Jun 2025	Dec 2025
GDP growth	2.1	1½	1¾	2	2¼	2¼
(previous)	(1½)	(1)	(1¼)	(1¾)	(2)	(2¼)
Unemployment rate(b)	3.6	3¾	4	4¼	4¼	4¼
(previous)		(4)	(4¼)	(4½)	(4½)	(4½)
CPI inflation	6.0	4½	4	3½	3¼	3
(previous)		(4¼)	(3½)	(3¼)	(3)	(2¾)
Trimmed mean inflation	5.9	4½	4	3¼	3	3
(previous)		(4)	(3¼)	(3)	(3)	(2¾)

Leadership Team



Relationships Team



**Sources**

Sources: ABS, ACCI, AiG, ABS, AFR, ANZ Research, ATO, CBA, CBRE, Colliers International, CoreLogic, Cushman & Wakefield, HTW, IMF, MSCI, JLL, Knight Frank, OECD, PCA, Preston Rowe Patterson, RBA, RLB, Savills Research, Westpac Economics, World Bank, RLB Crane Index Q3 2023