



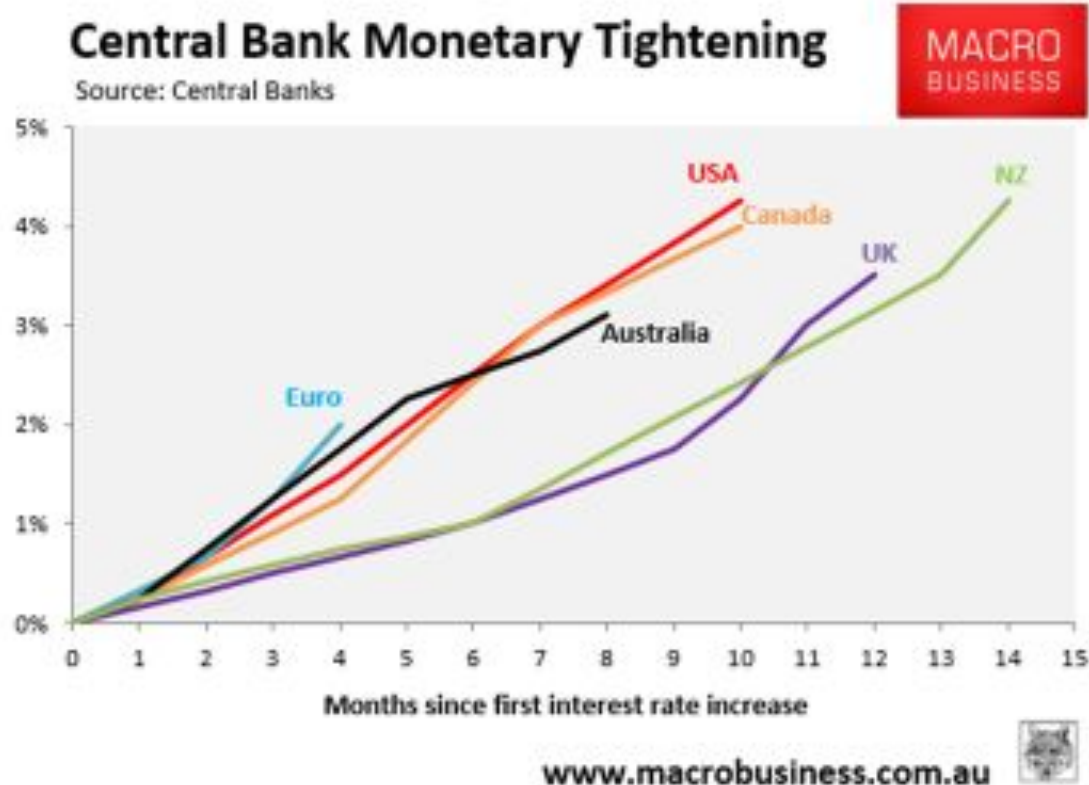
# THE PROPERTY RECESSION OF 2023 WITH LEITH VAN ONSELEN - THE UNCONVENTIONAL ECONOMIST

## Agenda:

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- Sharpest interest rate hikes in history
- House prices continue to fall
- Fixed-rate mortgages reverting to high variable rates
- Household consumption falling
- Record immigration to subdue wage growth

# Synchronised central bank tightening means global recession



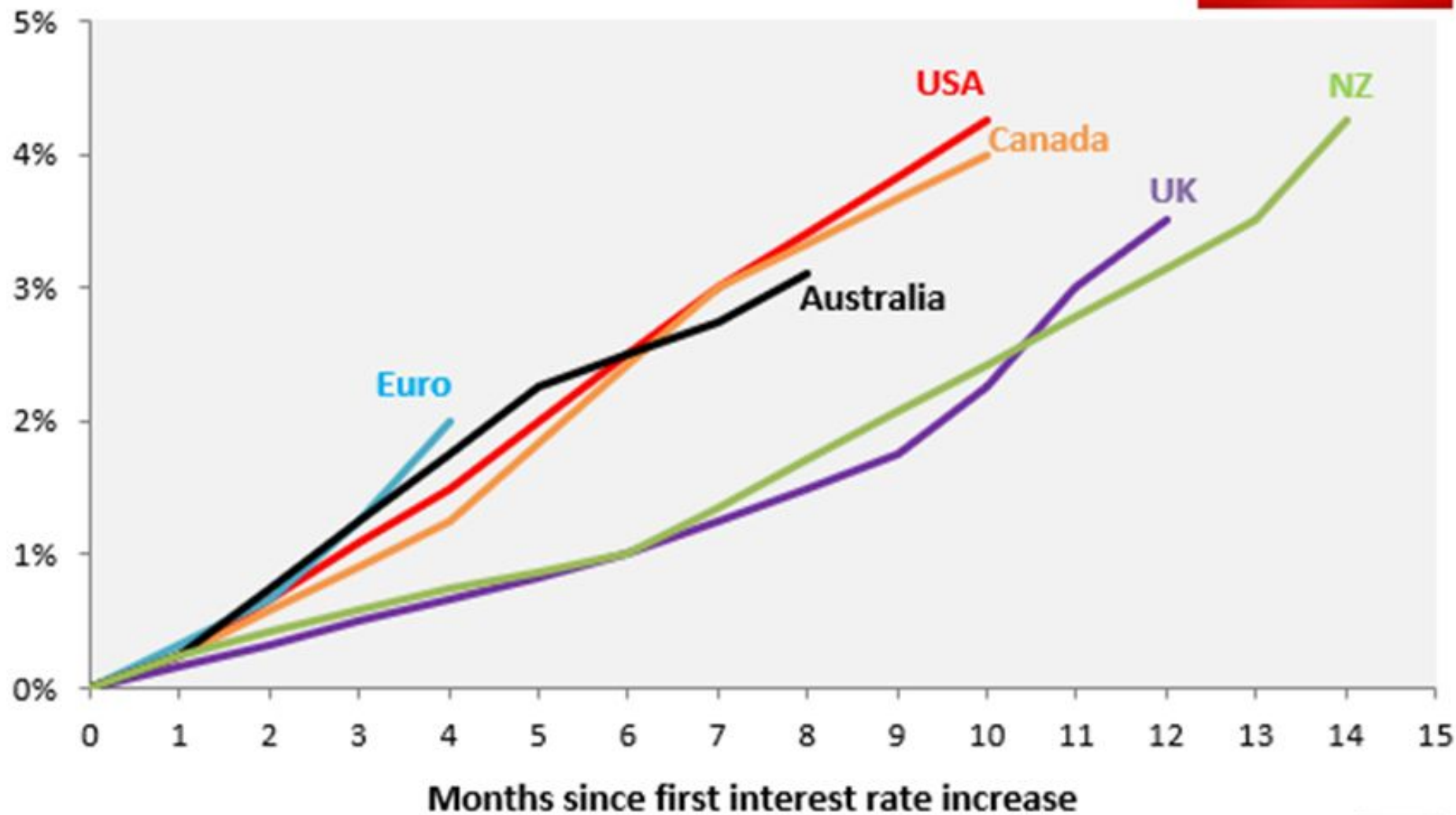
- We've never seen such synchronised global interest rate hikes, and it's likely to have a big impact on demand.
- Australians very sensitive due to high household debt and high share of variable rate mortgages.



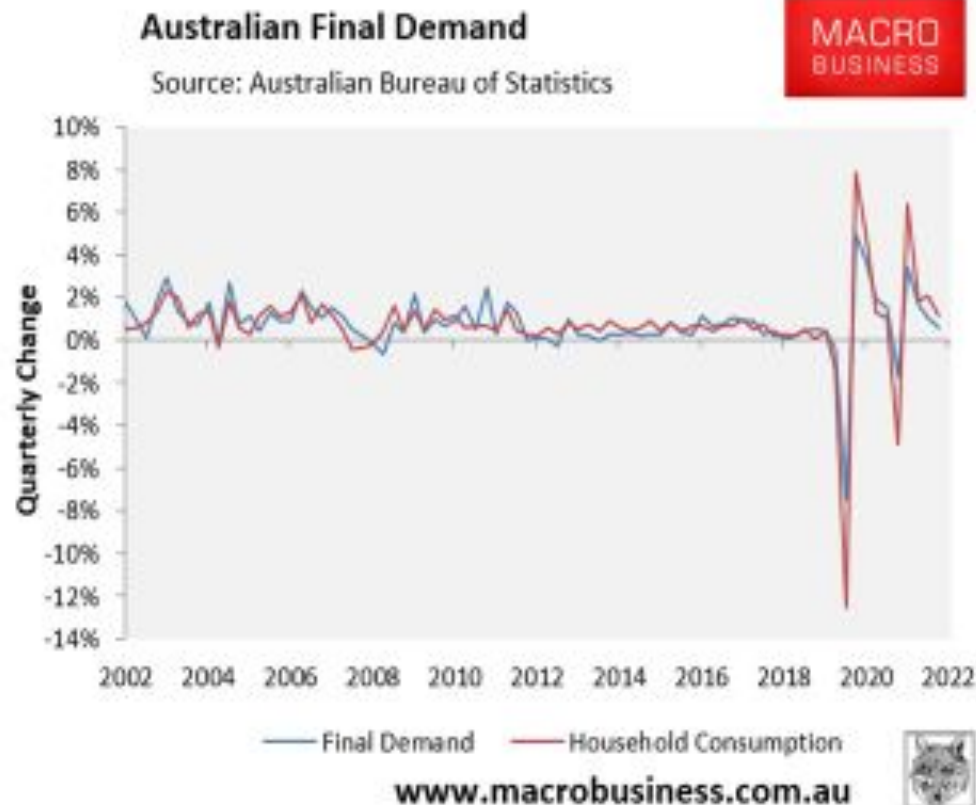
# Central Bank Monetary Tightening

Source: Central Banks

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# All eyes on Aussie consumer in 2023

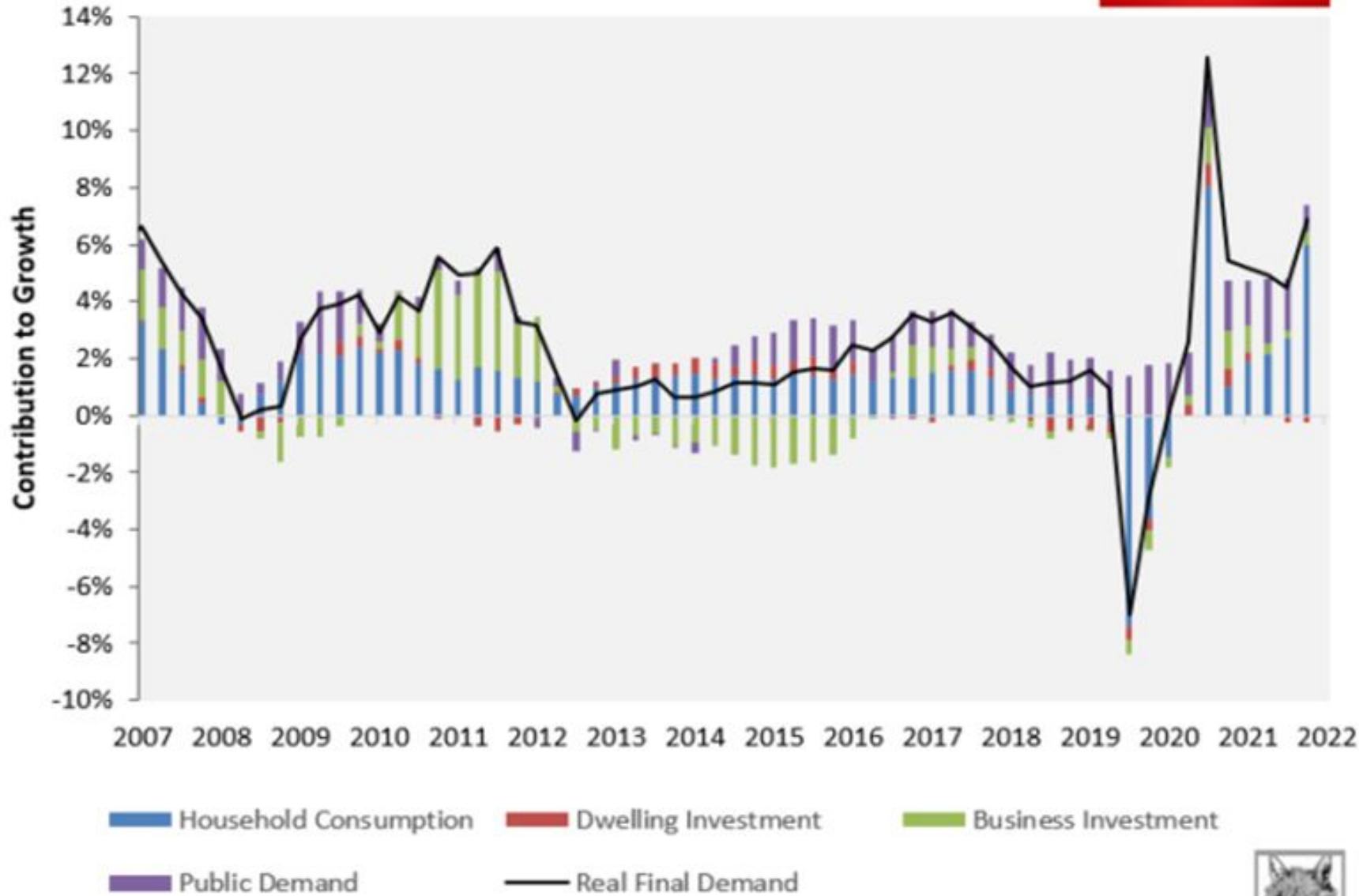


- Household spending accounts for 55% of growth on average.
- Drove 90% of final demand growth in year to September.
- Household consumption weakening, dragging down final demand.

# Australian Real Final Demand



Source: Australian Bureau of Statistics

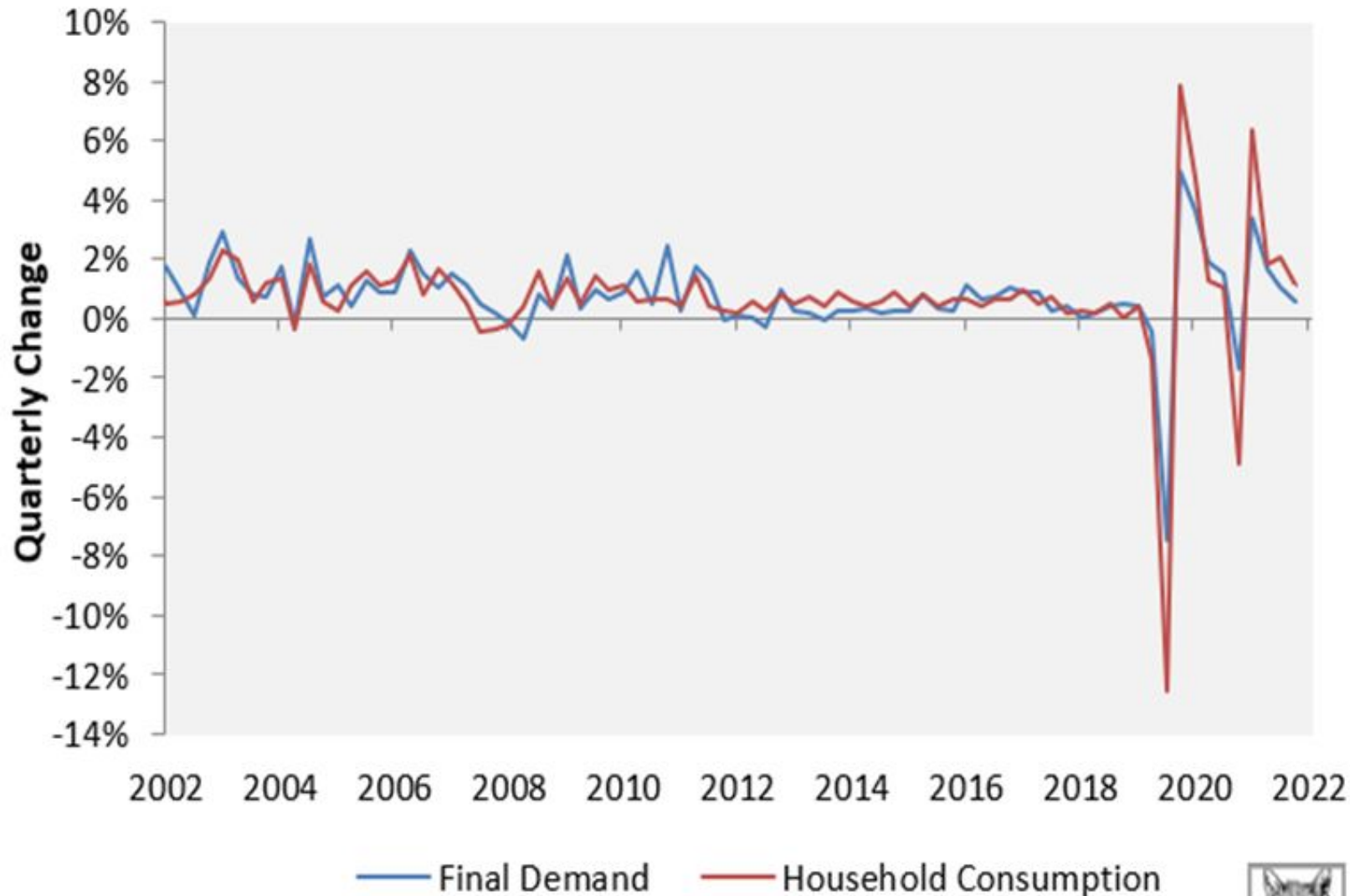


Household Consumption Dwelling Investment Business Investment  
Public Demand Real Final Demand



# Australian Final Demand

Source: Australian Bureau of Statistics



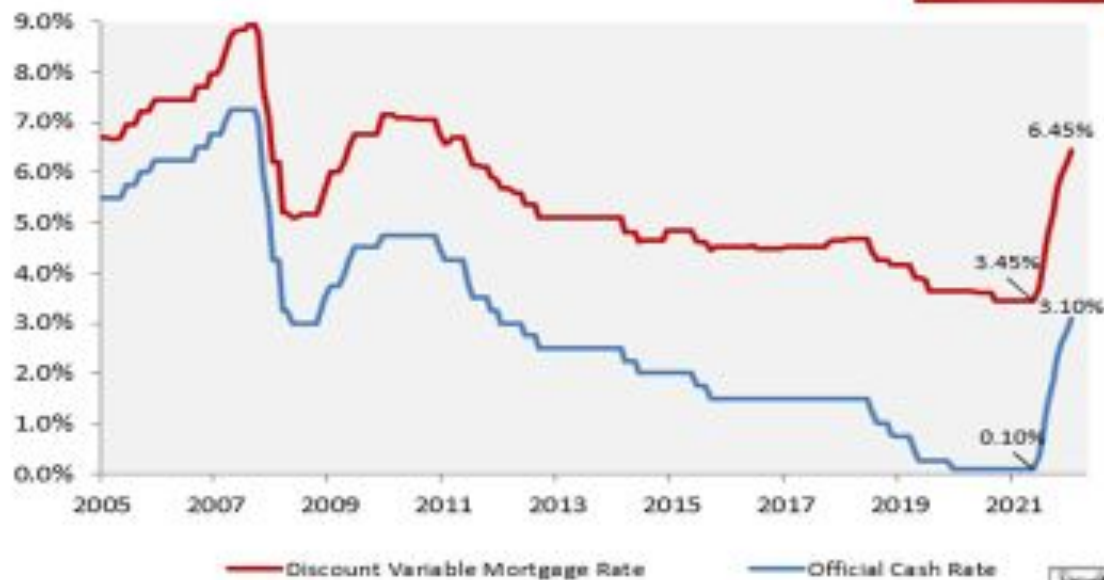


# All eyes on Aussie consumer in 2023

## Bank Discount Variable Mortgage Rate

Source: Reserve Bank of Australia

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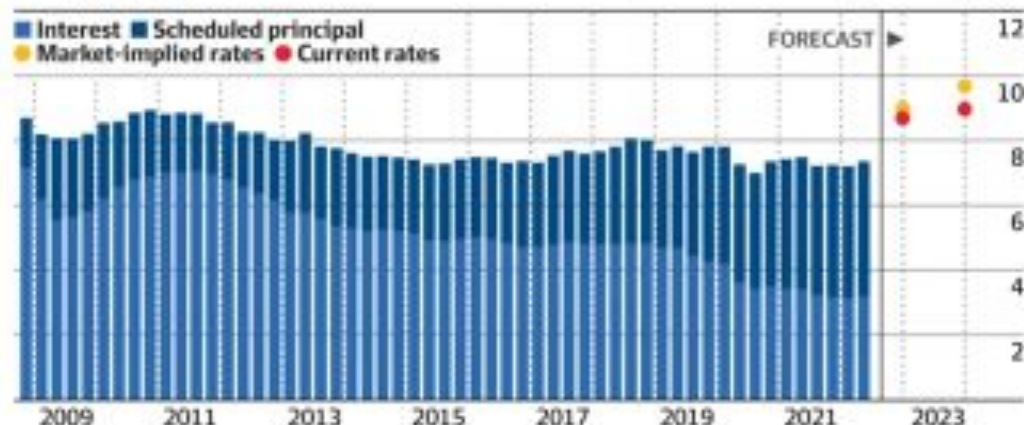


## Australian Monthly Mortgage Repayments

Mortgage Size	Apr-22	Dec-22	Change (\$)	Change (%)
\$500,000	\$ 2,231	\$ 3,144	\$ 913	41%
\$750,000	\$ 3,347	\$ 4,716	\$ 1,369	41%
\$1,000,000	\$ 4,463	\$ 6,288	\$ 1,825	41%

\* Assumes: Discount variable mortgage rate; 30-Year loan term; P&I loan

## Mortgage payments as a share of household disposable income, quarterly (%)\*



\* Seasonally adjusted and break-adjusted.

SOURCE: RBA

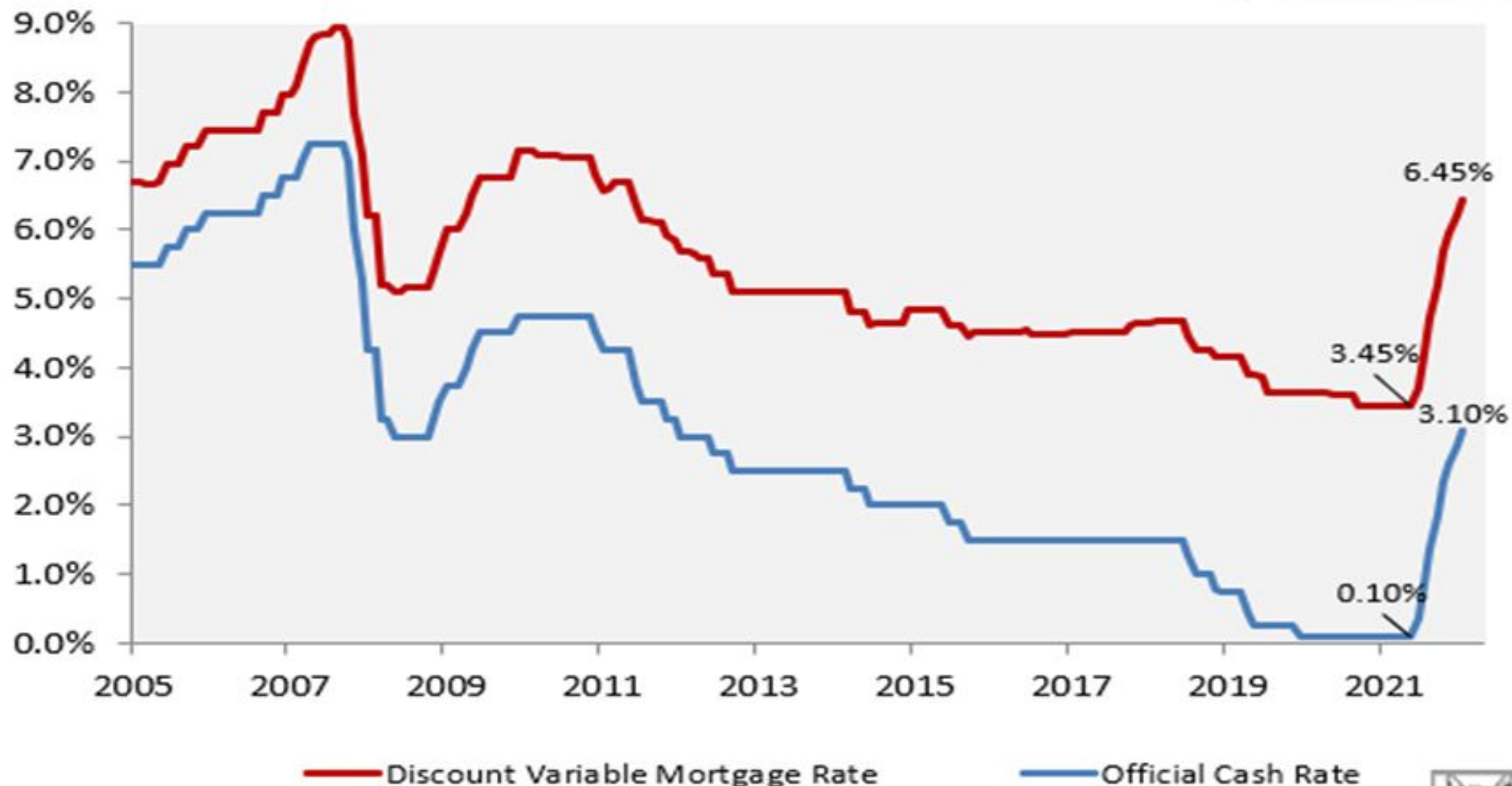
- RBA has unwound 10 years of monetary easing in just seven calendar months.
- Lifted variable mortgage repayments by 41%.
- Mortgage repayments to hit record high relative to income at 3% cash rate, according to RBA.



# Bank Discount Variable Mortgage Rate

Source: Reserve Bank of Australia

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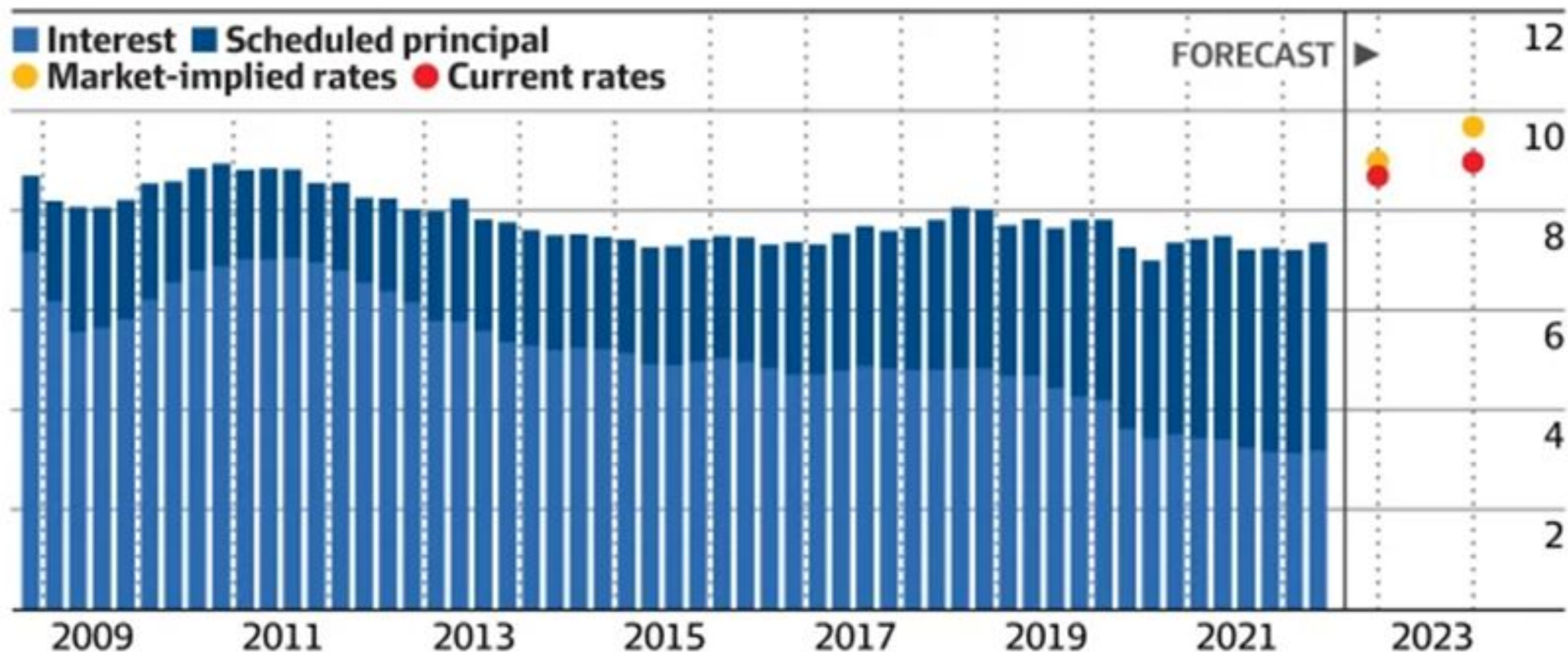


## Australian Monthly Mortgage Repayments

Mortgage Size	Apr-22	Dec-22	Change (\$)	Change (%)
	3.45%	6.45%		
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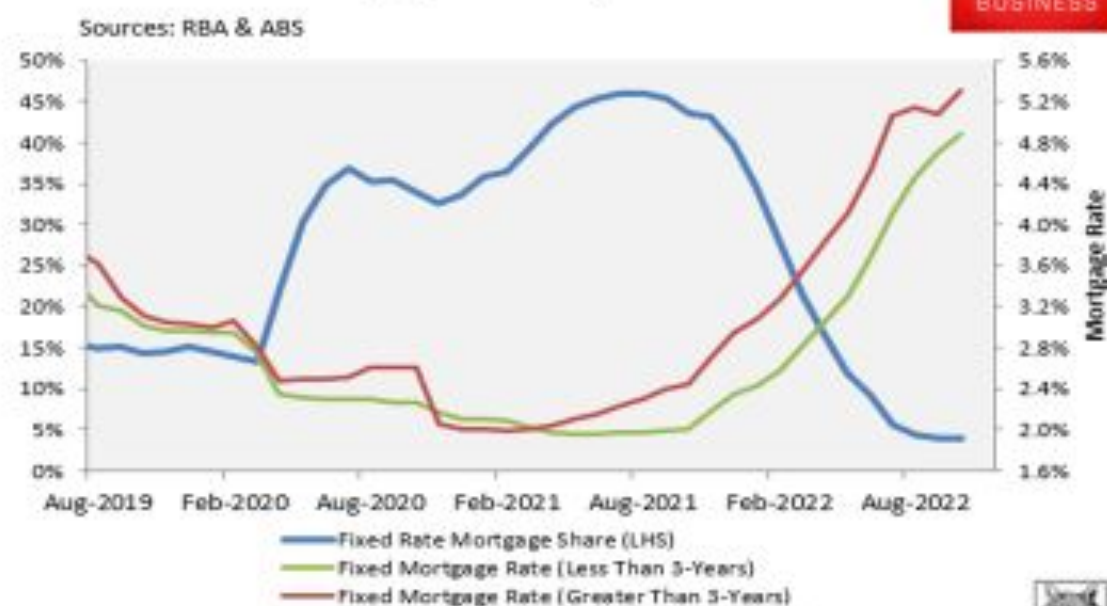
# Monetary conditions to tighten further in 2023

## Monthly Mortgage Repayments under Interest Rate Scenarios

Mortgage Size	Apr-22		CBA Forecast	
	3.45%	6.70%	Change (\$)	Change (%)
\$500,000	\$ 2,231	\$ 3,226	\$ 995	45%
\$750,000	\$ 3,347	\$ 4,840	\$ 1,493	45%
\$1,000,000	\$ 4,463	\$ 6,453	\$ 1,990	45%
Mortgage Size	Apr-22		NAB, Financial Markets Forecast	
	3.45%	6.95%	Change (\$)	Change (%)
\$500,000	\$ 2,231	\$ 3,310	\$ 1,078	48%
\$750,000	\$ 3,347	\$ 4,965	\$ 1,618	48%
\$1,000,000	\$ 4,463	\$ 6,619	\$ 2,157	48%
Mortgage Size	Apr-22		ANZ, Westpac Forecast	
	3.45%	7.20%	Change (\$)	Change (%)
\$500,000	\$ 2,231	\$ 3,394	\$ 1,163	52%
\$750,000	\$ 3,347	\$ 5,091	\$ 1,744	52%
\$1,000,000	\$ 4,463	\$ 6,788	\$ 2,325	52%

\* Assumes: Discount variable mortgage rate; 30-Year loan term; P&I loan.

## Fixed Rate Mortgage Lending



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- RBA tipped to raise rate further.
- Nearly one-in-four mortgages (by value) will also switch in 2023 from ultra-low fixed rates originated at around 2% to rates that are more than double these levels.
- Debt repayments will soar, with 15% of borrowers having negative cash flows, according to RBA.
- Will drag down household consumption and the economy in 2023.



## Monthly Mortgage Repayments under Interest Rate Scenarios

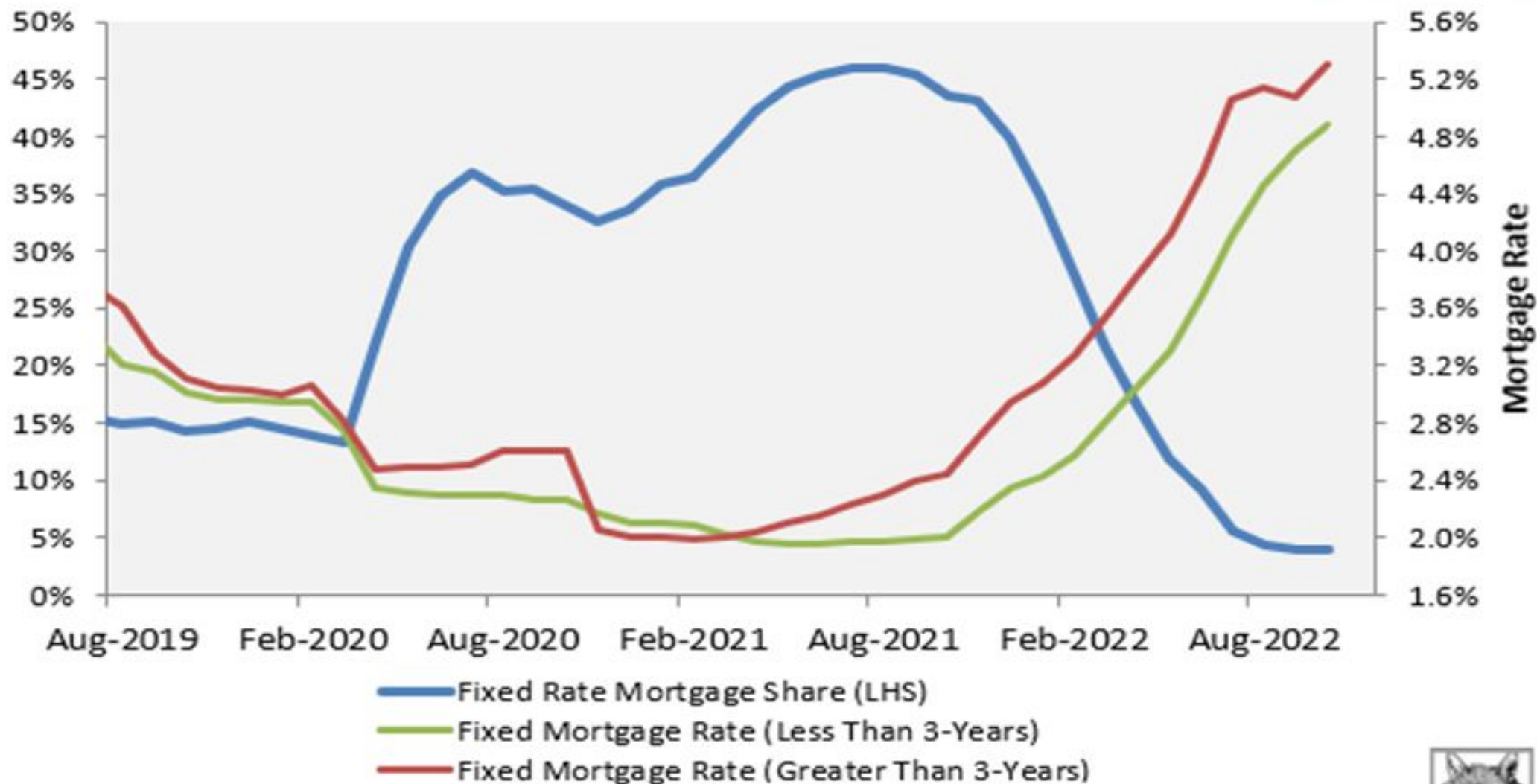
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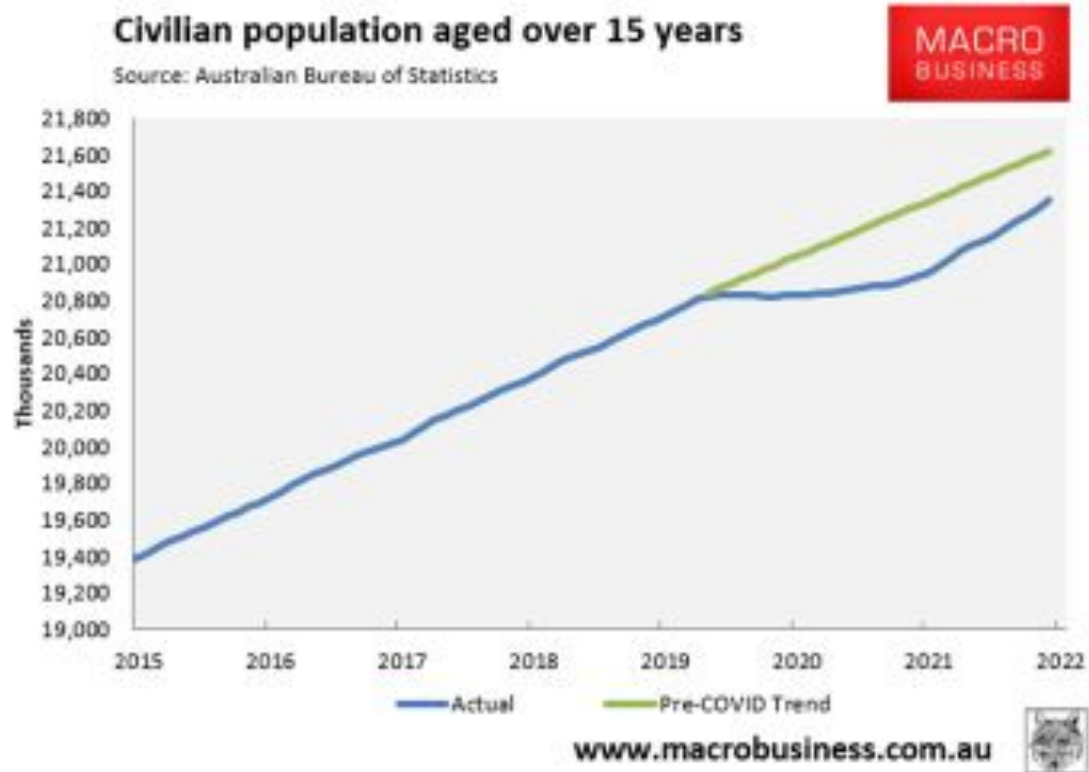
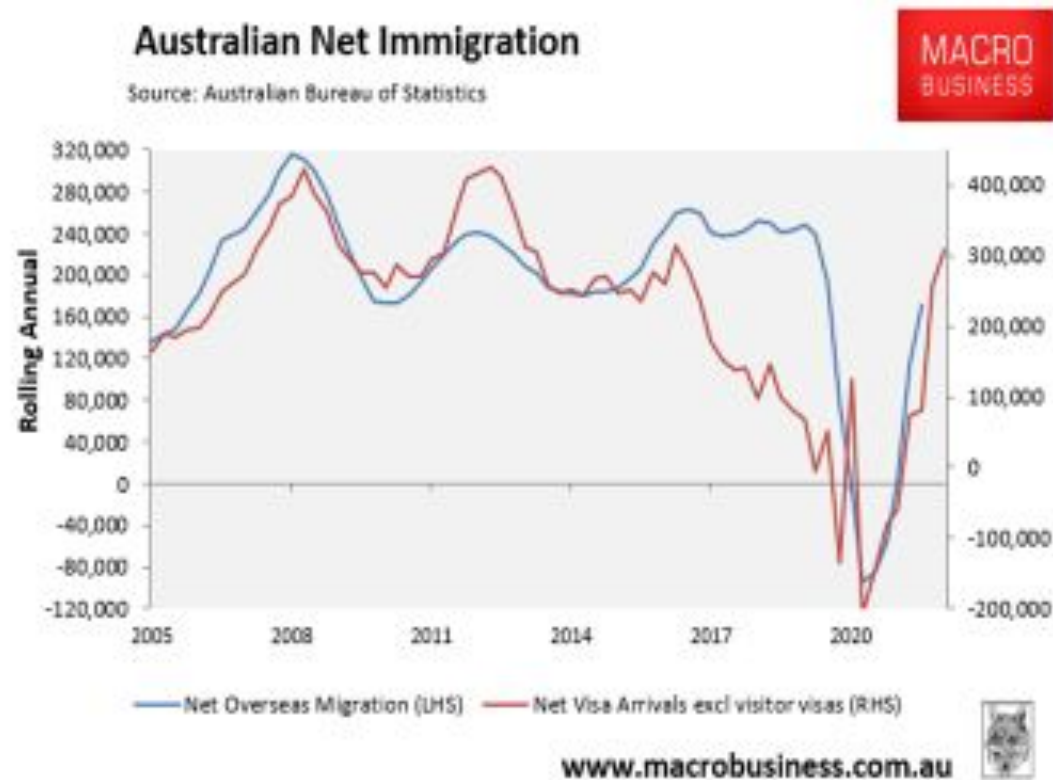
# Fixed Rate Mortgage Lending

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Sources: RBA & ABS



# An Aussie recession in 2023?

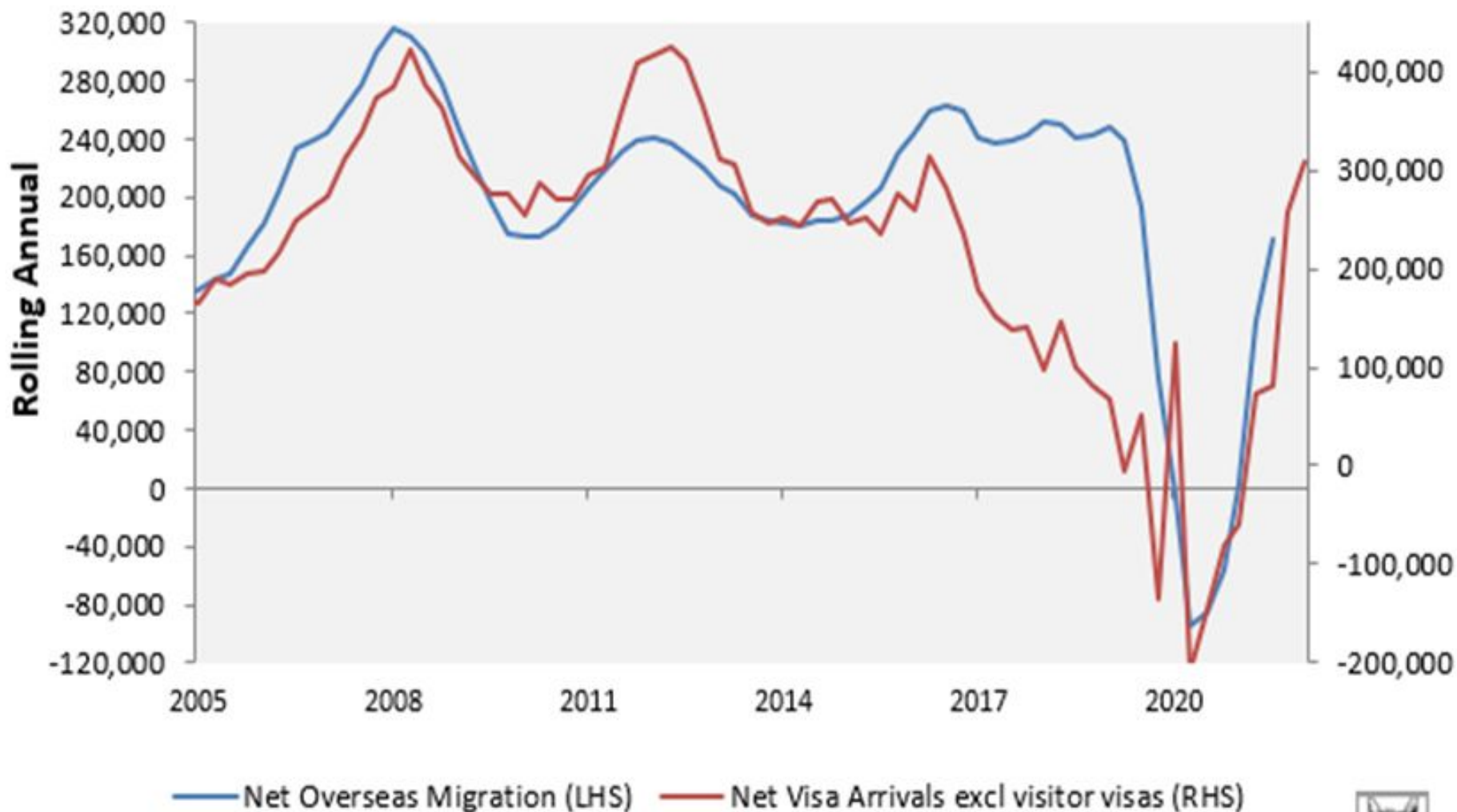


- Immigration to hit record levels in 2023.
- Strong population growth means economy unlikely to fall into a 'technical recession'.
- But a per capita recession is likely with rising unemployment.



# Australian Net Immigration

Source: Australian Bureau of Statistics

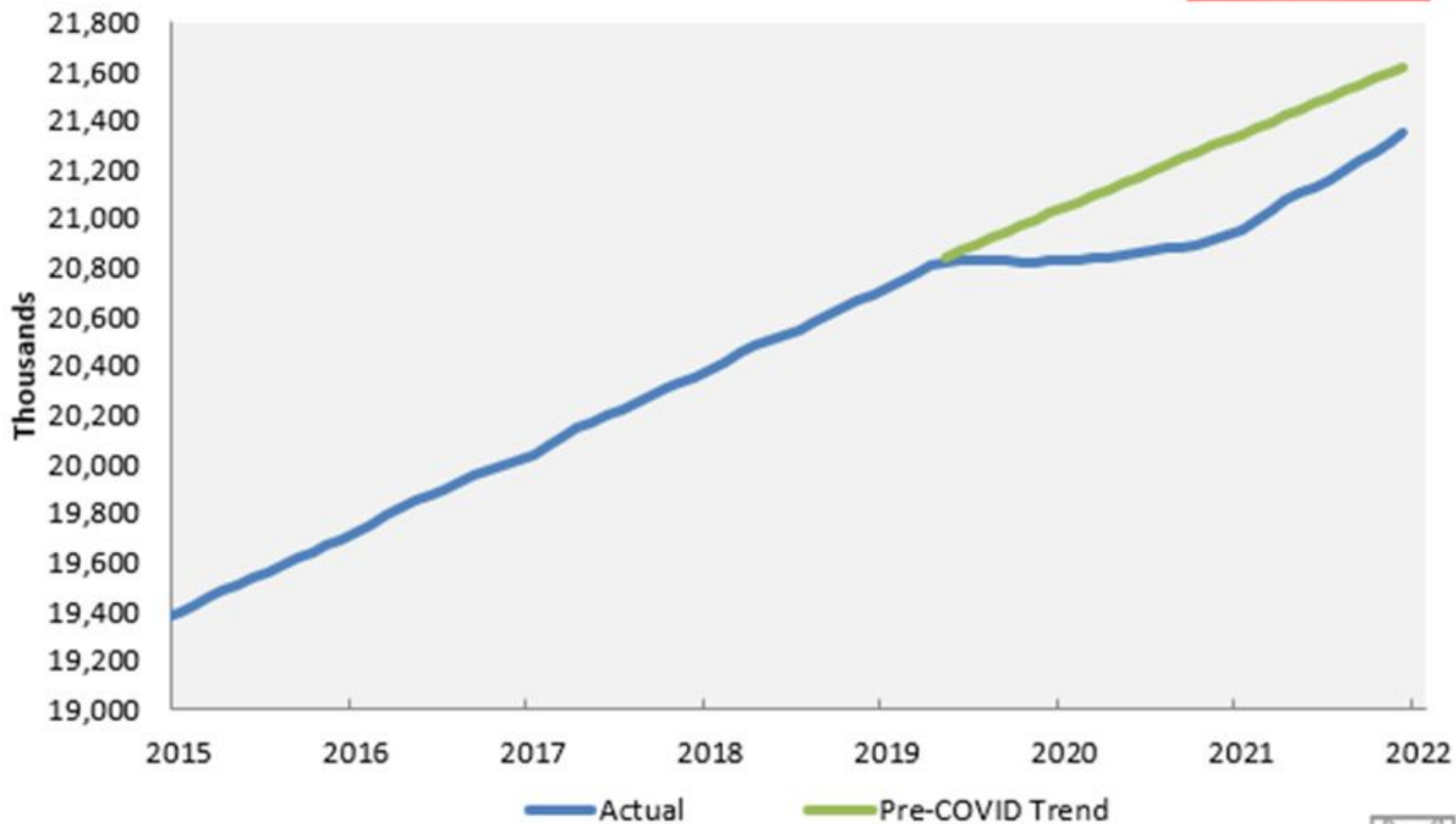




# Civilian population aged over 15 years

Source: Australian Bureau of Statistics

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Viewer question of the week:

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**What are the odds of a recession in 2023?**

**Drop your answers in the comments**

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