



# MARKET INSIDER

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## FINANCE NEWS

As we approach the end of the 2020 calendar year, it is clear that COVID-19 still dominates the Australian and International landscape. The bad news is that Europe and the US are experiencing second waves of the virus, driving case numbers to record highs and fresh lockdowns. The good news is that an effective vaccine is expected to be distributed across the globe and treatments for the virus are also being developed. The economic outlook for 2021 will clearly be dictated by the virus and how quickly a vaccine (vaccines?) can stem case numbers and allow economies to start recovering.

- The Australian economy entered recession in the March quarter for the first time in 28 years – impacted by the COVID-19 coronavirus as well as drought, bushfires and storms.
- In the June quarter, the economy contracted by 7 per cent – the biggest fall in activity since the end of World War
- The Australian economy contracted by 0.3 per cent in 2019/20. But the recovery is underway with the economy growing by 3.3 per cent in the September quarter – the biggest lift since March 1976.
- The Australian economy is recovering due to our relative success in suppressing the COVID-19 virus as well as the speed and size of economic stimulus and support supplied by all levels of government and the Reserve Bank.
- The cash rate currently stands at a record low 0.1 per cent, AUD Dollar US74.3 cents, unemployment stands at 7.0 per cent, annual inflation is 0.7 per cent, the S&P/All Ordinaries is near 6,930 points and the S&P/ASX 200 index is near 6,700 points.

## WILL STAMP DUTY ON NSW PROPERTY PURCHASES BE A THING OF THE PAST?

The NSW Government wants to help the people of NSW achieve the Australian dream of home ownership and grow the NSW economy. To help make this happen, the Government is considering a once in a generation change of giving home buyers the choice to pay either stamp duty and land tax (where applicable) or a new smaller annual property tax.

If implemented, the proposed changes could give you the freedom to choose between paying stamp duty upfront or paying a much smaller annual property tax, when you buy your next home. Removing the upfront cost of stamp duty could remove tens of thousands of dollars from the home purchase process and make it easier for first home buyers, families looking to upgrade and others looking to change their property to save what is needed to purchase their next home. If you have already paid stamp duty on your existing property, you would not be subject to an annual property tax. There would be no double taxation.

Those who would usually receive stamp duty concessions, would instead be given a grant of up to \$25,000 which could go towards servicing the land tax or improvements to the property. The proposal would tax owner-occupiers at a lower rate than investment properties, but the government insists there will be protections in place to ensure costs are not passed onto tenants.

## ECONOMIC OUTLOOK

- After contracting an estimated 2.5 per cent in 2020, the global economy is tipped to rebound by 5.1 per cent in 2021. On the same basis, the Australian economy is tipped to grow by 4.9 per cent in 2021 after contracting 2.8 per cent in calendar 2020.
- The Reserve Bank Governor has committed to leave the cash rate at 0.1 per cent (or even lower?) for three years. Bond purchases are being employed with the hope of reducing longer-term yields.
- Unemployment is the focal point of all monetary and fiscal policy actions. Expect the jobless rate to peaked at 7.5 per cent. The unemployment rate is expected to ease to 5.75 per cent by the end of 2021 and ease further to 5.0 per cent by the end of 2022.

*\*Information within in this publication has been sourced from various publications including APRA, ABS, Corelogic, Real Estate.com.au, CBA, RBA and other reports.*

## PLANNING ON BUYING AN INVESTMENT PROPERTY? DO YOU NEED BANK PRE APPROVAL?

