

Monday, 1 February 2021

Housing and the RBA Take Centre Stage

It's an action-packed week ahead. There will be three data releases on housing, four Reserve Bank (RBA) events plus data on jobs ads, trade and retail spending. To add to the mix, the Prime Minister will speak at lunchtime today, on policy and debt, at the National Press club.

On the housing front, it's CoreLogic house prices and ABS housing finance today followed by building approvals on Wednesday. House prices are on the rise, housing finance is at record levels and building approvals have been on the up – especially for houses.

The RBA chimes in with its board meeting on Tuesday. On Wednesday, the RBA Governor will give a speech at the National Press Club and then on Friday, Governor Lowe provides his regular testimony to Federal Parliament. Later that morning, the RBA will serve up its first Statement on Monetary Policy (SOMP) for the year.

We don't expect the RBA will change its cash rate, but it might make some comments on its bond purchase or quantitative easing (QE) program. The appreciation of the Australian dollar in recent months is likely to have added pressure on the RBA to extend its QE program, which is currently due to end in April. Consensus expects this program to be extended by six months for another \$100 billion, but the recent run of stronger economic data, especially for housing, means there is a growing risk that it is extended at a reduced amount.

The Governor will be able to expand upon, or explain in more detail, the RBA's strategy at his Press Club speech and before a parliamentary committee. The SOMP will carry the RBA's latest forecasts. They seem likely to boost their economic growth outlook and lower their forecasts for the rate of unemployment.

But wait. There's more.

Today, there are also January job ad numbers. These have risen strongly since May and are above their pre-COVID-19 level. With borders opening and States getting back to business, a further increase is possible.

On Tuesday, the ABS will release payroll jobs and wages for the week ending 16th January. These are raw, non-seasonally adjusted figures compiled by using data from the ATO's 'Single Touch Payroll' system (STP). While not all jobs are captured by STP, the figures assist in understanding the labour market with data captured by state, size of firm and age of employee. Lack of seasonal adjustment creates some volatility in the data especially in the holiday months and with seasonal work.

On Thursday, the ABS will release the December trade balance. We are expecting a substantial, \$7.7 billion surplus with exports surging on the back of higher prices for iron ore and the rural sector recovering from its drought conditions. Imports seem likely to have remained steady. At \$7.7 billion it would be one of the nation's highest trade surpluses on record.

Rounding off the week, and at the same time as the RBA SOMP is released, the ABS will release the retail sales figures for December. Partial results for retail sales were released earlier in late

January and reported a 4.2% decline in spending. We expect a similar result in the full figures on Friday. The decline reflects a pullback in spending after strong growth in ‘Black Friday’ and ‘Cyber Monday’ sales in November.

Overall, the data releases this week should show ongoing momentum in economic activity with the housing sector taking the lead.

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