Summer 2023

Welcome to our Summer Newsletter, this month we've moved to a new layout we hope you find easier to read.

Thanks to everyone who donated to our Christmas Toy Drive. We are very proud to support the wonderful work done by Brophy Family and Youth Services and MacKillop Family Services. We had a morning tea on the 14th December and now the gifts will be distributed to those in need. See the pictures on page 4.

Along with our newsletter, we're also sending you an updated **financial services guide**. This important document outlines who we are, the services we provide and the complaints process. This document is updated from time to time and we're required to send you a copy whenever this happens. This latest change notes that our licensee, Insignia, has sold off part of its business. This is a minor change and has no impact on the products and services we provide to you.

In this edition of the newsletter, James provides his usual economic and market update, Nicole discusses some important economic trends and we have pictures from the toy drive.

Most importantly, we wish you and yours' the most wonderful Christmas and a very happy new year! We look forward to seeing you in 2024.

James and the team at Ambleside.

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Market Update

Market performance. The ASX 200 currently stands at 7456, compared to 6495 twelve months ago. This recent rally is largely on the expectation there have been enough interest rate rises in the US, and Australia, to deal with inflation. Remember, as always, today's share price is forward looking, so prices aren't based on what is happening today, but instead on what is forecast six months down the track.

US economy. The US economy continues to be a major driver of world wide economic performance. The gross domestic product of the US makes up 11% of the total world economy, China is around 8% and Australia 0.7%! Like Australia, the US has low unemployment and the US government is boosting US manufacturing to reduce reliance on China. The US sharemarket has outperformed the Australian share market in 2023, primarily due to the returns of a handful of tech companies, including Apple, NVIDIA, Microsoft, Alphabet, and Tesla.

Interest rates. Since our last newsletter, there's been another rate rise and the RBA rate currently stands at 4.35%. The last time rates were this high was November 2011, meaning many borrowers have never experienced the mortgage stress we're seeing now. While the current rates might seem modest compared to the late 1980's and the early 1990's, there has been a huge increase in house prices over this time (which means people are borrowing more), coupled with high inflation.

Unemployment. Unemployment in Australia increased from 3.7% to 3.9% in November. While this is still very low, an increase to unemployment is to be expected as prices increase (due to inflation), and people spend less. While many people won't want to hear this next point, unemployment actually needs to go up to stop the Reserve Bank lifting interest rates.

The Bank of Mum and Dad

We've watched with great interest the incredible growth in housing prices despite interest rates sitting at a 12 year high. The current cost of an average house sits at more than six years' worth of the average wage, many are turning to their parents for assistance to enter the housing market.

It is believed that, in the space of a decade, the number of first home buyers with family assistance has increased fivefold. Put another way, in 2010, around 12 per cent of first home buyers received assistance from family. From 2017, that number is closer to 60 per cent.

Whilst the outcome is logical when prices are so far out of reach of many younger people living on an average wage, the impact from a macro economic perspective is significant. It is touted to be one of the key things that is keeping property prices for entry level properties high. It is also creating a real divide between those families who are already in the housing market and those not. The advantage or disadvantage of your family owning property, is entrenching at a family level, whether the next generation can afford housing.

There are many other issues impacting young people getting into the housing market. Many jobs are unstable (such as fixed term contracts and casual work), which impacts more than half of the younger people who are employed in unstable roles. State governments are also considering doing away with stamp duty for housing (a large one off cost when buying a house) and replacing this with an annual tax (such as a broad based land tax). This won't change how much you ultimately pay in tax over time, but it will hopefully encourage people to move houses more freely. A more agile property market benefits all.

Economic trends

We're following a few interesting trends in the economy right now. Most of these have been slowly appearing over many years, but now accelerated by COVID.

Cash in the economy. As we all know the use of cash in the economy is ever decreasing. In 2019, before the pandemic, 27% of all transactions were with cash. This has decreased to 18% in 2021 and forecast to be only 4% by the end of decade! This certainly makes it hard to teach children the value of money, made worse by a lack of ATM's and high withdrawal fees. Linked to this is secure cash transporter Armaguard, which is in financial trouble, with the ever decreasing use of cash making putting the business viability at risk.

Car sales. There's been lots of talk on how long it takes to get a new car delivered, mainly due to supply chain issues with all cars now being imported. This backlog has largely caught up with some interesting trends. The top five brands in Australia are (from the top): Toyota, Mazda, Kia, Ford and then Hyundai. Also, the top two selling models in Australia (which won't come as a surprise) are the Toyota Hilux and Ford Ranger, followed by Tesla Y then Isuzu D-Max.

Renting a home. Finding a house to live in remains very difficult for many people. An article in The Standard last week, said that while there are a few more rental properties on the market, rental vacancies remain extremely low at 0.65%. Properties are only on the market for a short period of time, with young people and single parents hardest hit by the rental demand. The average weekly rent in Warrnambool has just hit $500 per week, a $50 per week increase on the same time last year and $100 more than the same time in 2021.

Buying a home. The Warrnambool median house price is now $607,000, up from $315,000 10 years ago. This represents an increase of 7.5% each year over that time.

While we are all familiar with prices going up, the big issue here is salaries and wages aren't increasing at the same rate, which means many houses now need two incomes to meet mortgage repayments. This in turn puts a lot of pressure on other services, such as childcare.

Working from home (WFH). While many jobs in our region can't be 'done from home' this is without a doubt here to stay for many occupations. The average commute in Melbourne is now 65 minutes and in a tight labour market prospective, employees are in a strong position to negotiate for WFH flexibility. This has of course been enabled by ever improving technology with faster internet speeds. Most business are settling on a 'hybrid' model with at least two days a week in the office.

Health insurance. Last month we wrote about the big increases being applied to home insurance premiums. Perhaps not surprisingly, the same is happening with health insurance. Around 55% of Australians have hospital or extras cover and since 2018 premiums have increased by less than 3.5% each year. Health insurers are now trying to push through a 6% increase for next year, but at this stage the government is refusing to let it go through without further evidence and justification.

Several factors are to blame for these cost increases: our ageing society, the rise of chronic diseases (like diabetes and obesity) and overpriced and overused medical devices.

Rosemary's Delicious Citrus Yoghurt Cake

Ingredients

- 6 tablespoons vegetable oil
- 1 egg
- 1 tablespoon finely grated citrus rind
- 2 tablespoons citrus juice
- ½ cup thick natural yoghurt
- 1 cup caster sugar
- 1 cup self-raising flour
- 1 tablespoon icing sugar for dusting (optional)

Method

Preheat oven to 180C (350F). Line a loaf tin with baking paper. Preheat the oven to 180C. Line a loaf tin with baking paper.

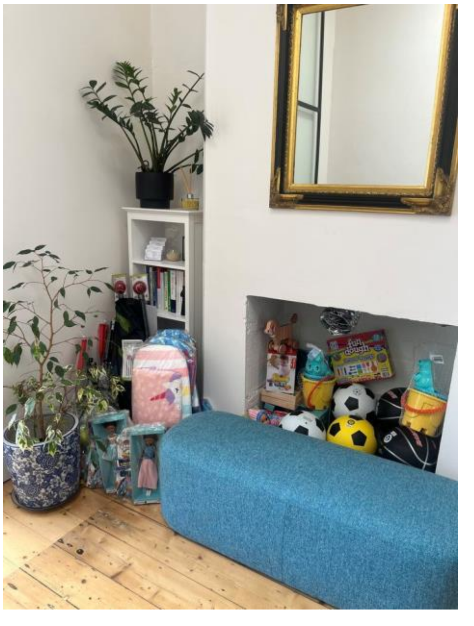
Place the oil, eggs, rind, juice, yoghurt and sugar in a bowl and whisk to combine. Sift the flour and stir until the mixture is smooth (around two minutes).

Pour the mixture into the loaf tin and cook for around 40 minutes. Cool for five minutes and turn onto a plate. Serve dusted with icing sugar.

The cake can be made with any citrus fruit: lemon, orange, even a tangelo when they are in season. Store cake in an air tight container for up to four days.

We would love to know what you are cooking (or eating!). If you have a recipe you would be happy to contribute to our newsletter, we would love it receive it. Please email Katherine directly at katherine@ambleside.net.au or call us on 5561 5180.

The Ambleside Christmas Toy Drive



Last week, representatives of MacKillop Family Services and Brophy Family and Youth Services, met with our team and collected the gifts so generously donated. Their cars were filled, literally, to the brim and the presents headed back to these organisations to be given to children in our region.

We thank everyone who contributed to the toy drive. We are so proud of our Ambleside community.

Katherine's Fab Four!

Favourite food?	**Yum Cha**
Favourite holiday destination?	**Anywhere I don't have to cook or clean!**
Favourite TV show?	**Australian Story**
Favourite app on your phone?	**Music**