FINANCIAL FRIDAYS

Macroeconomic Outlook

Domestic

Population Spike, Policy Shift: The Macro Impact of Australia's Migration Boom

Australia's sharp switch in migration policy has become one of the most important macro drivers, particularly for consumer spending and the property market. Net overseas migration (NOM) surged to 518,000 people in the year to March 2025, according to the ABS, one of the highest levels on record and well above the decade average of around 220,000. The influx of both skilled and unskilled migrants added nearly 2% to population growth, with much of the intake concentrated in major cities such as Sydney, Melbourne, and Brisbane.

The impact on consumption has been concurently affecting higher education infrastructre policies, migrants, especially international students and younger workers, tend to spend a greater share of income on retail, and student accommodation. The RBA noted that international students have alone contributed around 1.2% of total household consumption in 2024–25, with their spending centred around rent, food and transport. International education exports reached $47.8 billion in FY2024–25, surpassing pre-pandemic peaks and cementing its position as Australia's third-largest export sector. AMP estimates that every 100,000 additional migrants lifts household consumption by about $1.5 billion annually, a boost clearly visible in 2025 retail turnover, which grew 3.8% year-on-year in July despite higher interest rates restraining domestic demand.

Housing markets have absorbed the largest shockwave due to the unprecedented surge in immigration. The surge in arrivals has collided with a sluggish supply pipeline, driving national rental vacancy rates to a record low of 0.9% in August 2025, compared with 2.6% pre-pandemic. Rents across capital cities rose 11.2% year-on-year, with inner Melbourne and Sydney recording increases above 15%, particularly in apartment stock near universities. Median advertised rents nationally hit $680 per week, up from $590 a year earlier. Property prices, after softening through 2022–23 due to rate hikes, re-accelerated in 2025: CoreLogic reported dwelling values up 6.5% in the year to August, with investor demand tracking migration-led rental yields.

From a macroeconomic perspective, this dynamic has a double-edged effect. On one hand, immigration is shoring up GDP growth, Treasury estimates migration added 0.9 percentage points to GDP growth in FY2024–25 and supporting service-sector turnover. On the other hand, it is intensifying inflationary pressure in rents, which make up about 7% of the CPI basket. The RBA flagged in its August 2025 Statement on Monetary Policy that elevated migration "continues to add to aggregate demand while constraining housing supply," complicating the disinflation trajectory.

Policy adjustments are now a central risk variable. The Federal Government's May 2025 Budget announced a recalibration of visa settings, targeting net migration of around 375,000 in 2025–26, down from the 2022–24 surge. But with housing completions running at just 170,000 dwellings annually, well below the National Housing Accord's target of 240,000, structural pressure remains.

BY SAMYA VAID, DEV JOSHI, RUICHENG WANG

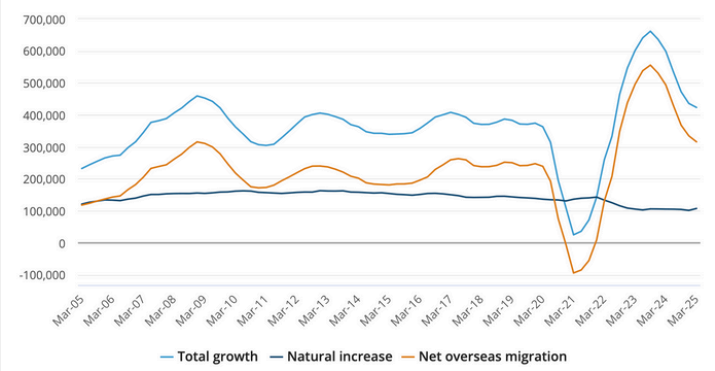


Figure 1: The Population increase in Australia, compared with the natural rate of immigration and the net overseas migration.
Source: ABS

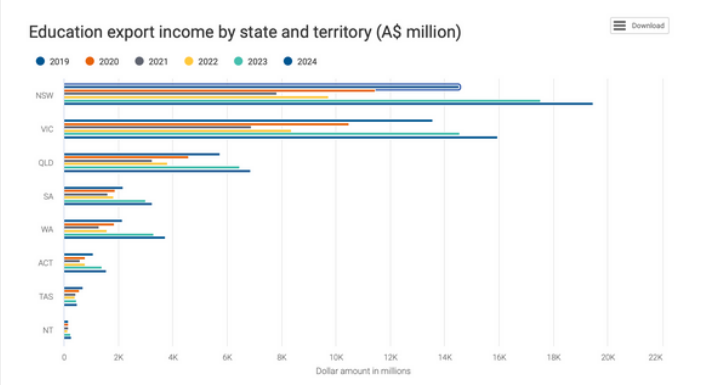


Figure 2: Income from export of education
Source: Department of Education

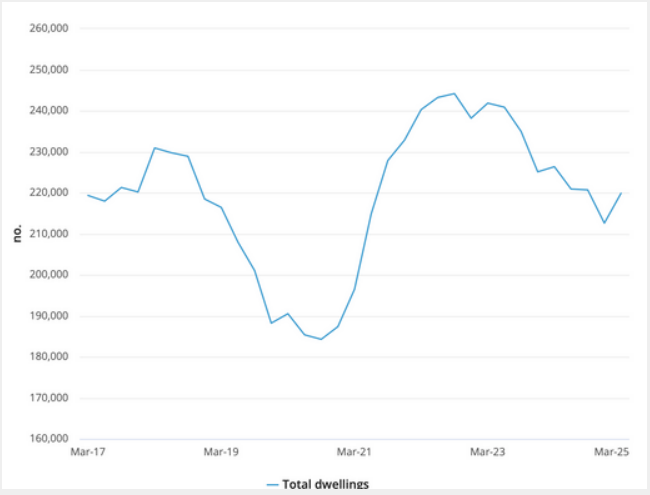


Figure 3: Total number of dwellings under construction through the past 8 years, which is lesser than the net amount of overseas migration
Source: ABS

Australian Equities

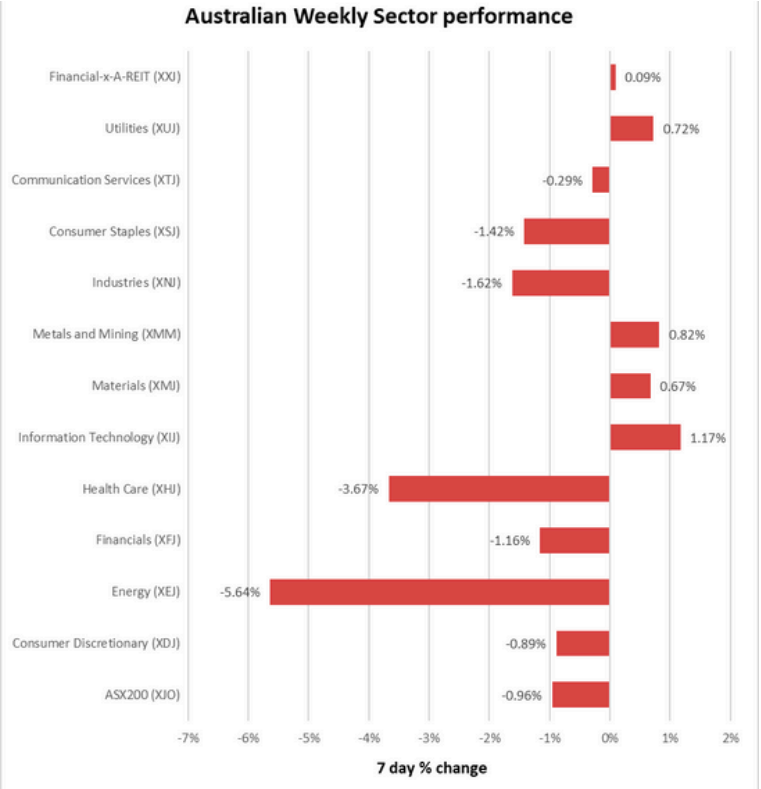
Market Update:

The ASX 200 closed lower on Thursday, falling 0.4% to 7,655 points, as weakness in technology and consumer stocks offset gains felt throughout the energy sector. Eight of eleven sectors ended the session in the red side of the market, with Information Technology at -1.2% and Consumer Discretionary steeply low by -0.9%, dragging the index, while Energy pushed through with a 1.1% increase which was supported by a rebound in Brent crude above US$ 84 a barrel.

Among blue chips, Woodside Energy and Santos advanced on stronger oil and LNG pricing at 1.5% and 1.3% respectively. The big banks were mixed, with CBA at a edging lower, while ANZ picked up the trend. Tech firms such as WiseTech and Xero faced pressure in the market as their stocks dipped by 1% following U.S. bond yields rising overnight. Healthcare was once aagin in the red, Led by CSL's current weak position in the market.

Investor sentiment remained cautious, tracking Wall Street where the S&P 500 slipped 0.3%, as stronger-than-expected U.S. inflation data reignited concerns that the Federal Reserve could keep rates higher for longer. Locally, bond yields pushed higher, with the Australian 10-year yield up 6 basis points to 4.23%, reflecting similar moves in U.S. Treasuries. Iron ore prices were steady at US$ 119/t, providing support to the mining heavyweights, with BHP and Rio Tinto finished at the green.

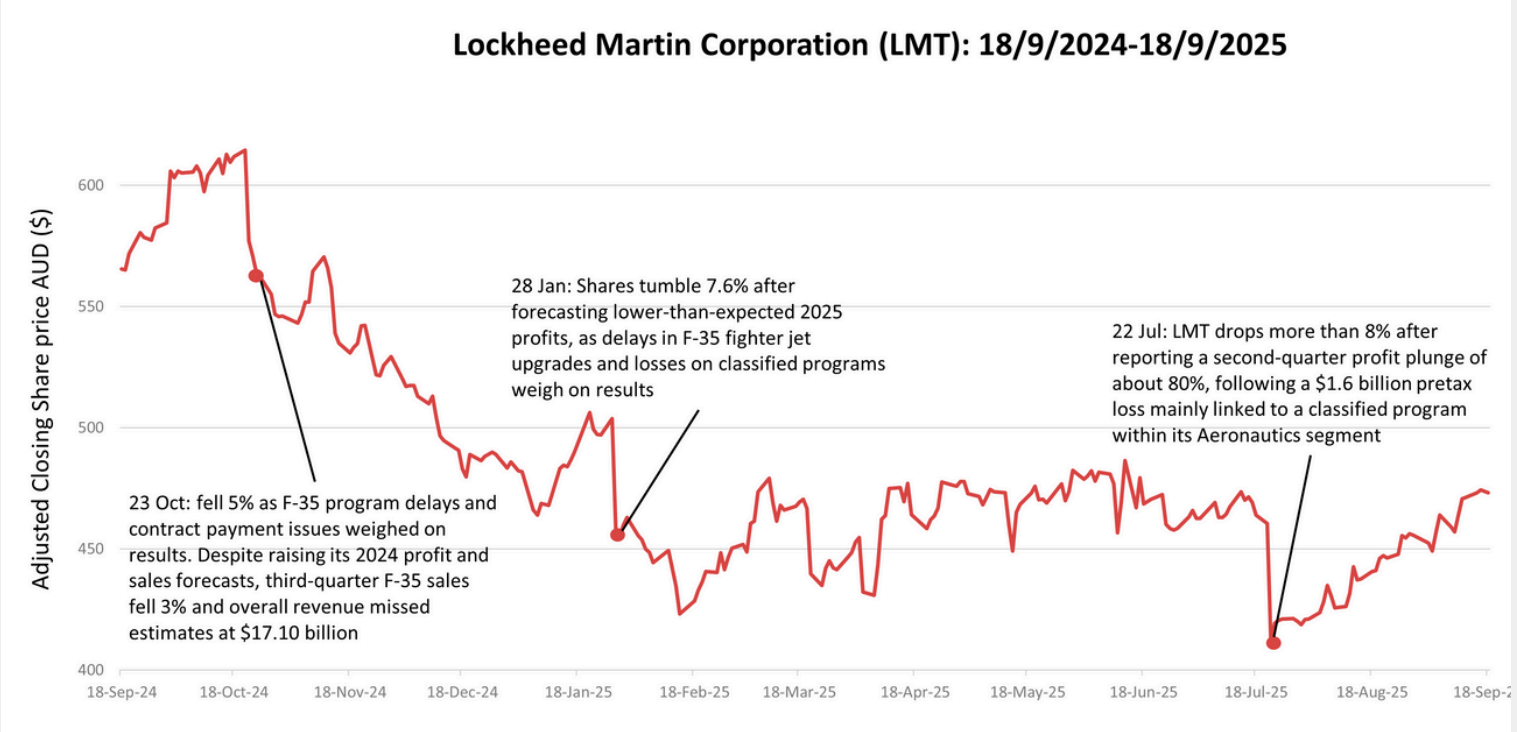
Overall, the week was marked by broad selling pressure, with only the energy sector finishing in positive territory, depicting the gloomy tone across equity markets.



Stock Spotlight

Lockheed Martin (NSYE:LMT), is an American defense and aerospace manufacturer based in Maryland, spanning search, cloud computing, advertising, and artificial intelligence. The company has a market capitalisation of US$ 220.85 billion, mainly driven by dominance in th defense sector, and fighter jet manufacturing, coupled with high value deals with governments around the world.

Lockheed Martin has recently seen an overall dip in share price due to criticism surrounding thir involvement in the conflicts in middle east and around the world. As of 18 September 2025, shares closed at US$ 470.25, down 0.6% on the day, reflecting mild sector-wide softness after a recent events. Investor sentiment in the stock remains stable due to order books for the F-35 fighter jet program.



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M&A International

Ellison Eyes Warner Bros in Potential Hollywood Mega Merger

Just weeks after closing Skydance's US$8 billion purchase of Paramount, David Ellison is weighing a fresh bid for Warner Bros Discovery in what could be the most consequential media merger in decades. Backed by his father, Oracle founder Larry Ellison, and RedBird Capital. The plan would unite Paramount and Warner into a studio empire spanning CBS, HBO, CNN, DC Studios, and Paramount Pictures. The AFR reported the bid would pre-empt Warner's planned 2026 cable spin-off, signalling Ellison's push to consolidate legacy TV assets into a technology-driven streaming model before rivals can reposition.

At stake is the ability to rival Netflix and Disney, which dominate global streaming. Both Paramount and Warner lack scale, and Ellison's thesis is that integration across film, premium cable and linear TV on a single platform could lower costs and sharpen distribution. A combined Paramount+ and HBO Max would create one of the largest content libraries in the market, adding live sports, DC superheroes and Paramount's franchises. Analysts say such a union could pose the first real challenge to Netflix, though integration would be a multi-year process.

Warner Bros Discovery shares have surged more than 30% since reports of the potential bid, from a price of US$12.50 to US$19.46 at the peak of the frenzy, reflecting optimism that its world-class assets could fetch a premium if brought into play. Yet the company has only recently stabilised under David Zaslav, who has cut costs and delivered box-office hits including Minecraft and Superman. With Warner scheduled to spin off its cable networks in 2026, Ellison's timing is designed to seize control before restructuring can unlock standalone value.

Regulatory scrutiny remains a key hurdle. Merging CNN with CBS News would previously have faced steep antitrust resistance, but the Trump administration's stance is expected to focus more on political neutrality commitments. Ellison's recent moves, appointing a conservative ombudsman at CBS News and courting Bari Weiss for a role, suggest attempts to ease approval risk. The AFR also noted that the Ellisons' financing strength, paired with RedBird's structuring expertise, makes the bid credible, though political optics around news consolidation could still prove volatile.

A Paramount–Warner merger would dwarf recent Hollywood deals and instantly reshape streaming competition, likely forcing countermoves from Apple, Amazon or Comcast. For Ellison, who built Skydance into a major studio with hits like Top Gun: Maverick, the deal would cement his place among Hollywood's moguls. For investors, the question is whether bold ambition can overcome linear TV decline and the heavy execution risks that have plagued Warner's past transactions.

M&A Cross-Border

CSL's $760m Bet on VarmX Underscores Focus on Coagulation

CSL has committed up to $760 million in a staged investment to acquire Dutch biotech VarmX, marking its first major transaction since announcing 3000 job cuts, a $750 million buyback, and the planned spin-off of its vaccines arm Seqirus. The deal grants CSL an exclusive option over VarmX's lead therapy VMX-C001, designed to restore blood clotting in patients on factor Xa anticoagulants such as Eliquis and Xarelto. With an estimated 20 million patients worldwide on these drugs, the market opportunity is significant, especially in emergency settings where bleeding complications carry high risks.

The agreement involves an upfront payment of US$117 million ($175 million), alongside full funding of VarmX's Phase 3 trial under CSL's FY26 R&D budget. If the option is exercised, CSL will invest up to US$388 million through to the expected 2029 launch, with further commercial milestone payments linked to sales performance. VarmX's program already holds FDA Fast Track designation, which shortens regulatory timelines and raises the likelihood of earlier market entry, reinforcing CSL's ability to deliver a differentiated product in the anticoagulant reversal space.

Such a deal reflects a broader transition in strategy for CSL. Rather than concentrating capital on higher risk internal development programs, the company is now prioritising more mature, externally validated assets that align with its existing strengths in haematology and immunology. This shift not only reduces clinical risk exposure but also ensures a more predictable path to commercialisation. The VarmX therapy complements CSL's established presence in blood therapies, positioning it to consolidate leadership in a specialised, high-margin area of unmet medical demand.

Investors, however, reacted with caution. CSL's share price fell another 1.3% on the day of the announcement, closing at about A$201, adding to a 25% decline since its restructuring plan was unveiled. The transaction therefore highlights both the strengths and vulnerabilities of CSL's current position. Yet the muted market response underscores the degree of investor scepticism surrounding its broader strategic direction. Unless CSL can combine deals like VarmX with clearer revenue growth trajectories and a smooth separation of Seqirus, confidence is unlikely to return quickly. For now, VarmX remains a calculated bet that could validate CSL's new R&D model, but its impact will only be felt in the medium to long term.

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