

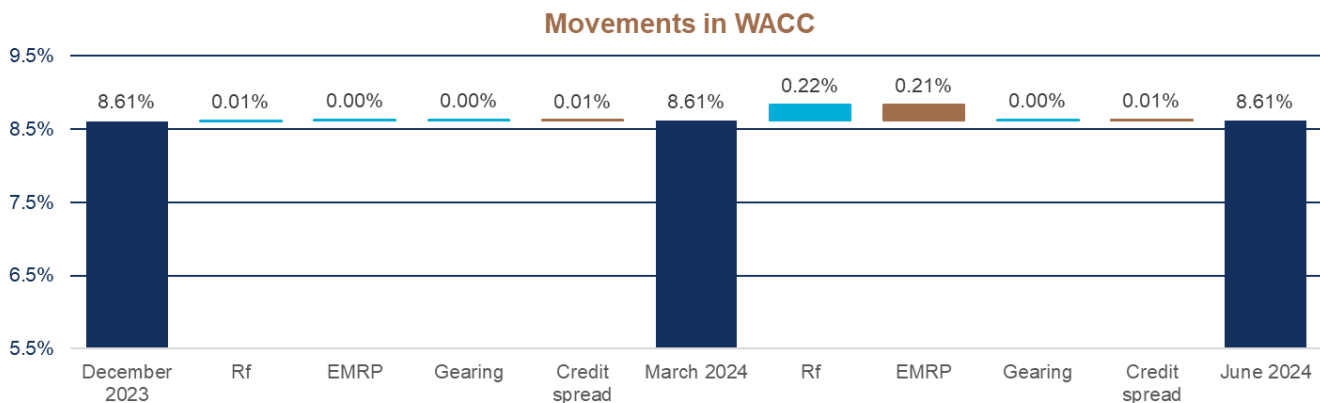
STABLE MARKET DISCOUNT RATES

Markets have remained relatively stable over the last quarter as inflation has moderated but remained high. However, there was a slight increase in government bond yields. With market conditions continuing to evolve, we have provided an early warning on our assessment of the equity market risk premium (EMRP) as at 30 June 2024 for Australia.

Michelle Bullock, Governor of the RBA recently commented, “*Inflation in Australia has passed its peak but is still too high and will remain so for some time yet. Timely indicators on inflation suggest that goods price inflation has eased further, but the prices of many services are continuing to rise briskly and fuel prices have risen noticeably of late.*”

The ASX200 ended the month of May 2024 2.5% lower than 31 March 2024. With an increase in government bond yields, this implies a decrease in the EMRP for Australia. As a result, we are set to decrease our assessment of the EMRP to 5.25% as at 30 June 2024.

The impact of these changes on overall market discount rates is presented below.



Source: Leadenhall

With an increase in government bond yields offsetting a decrease in EMRP, overall market discount rates are unchanged from March 2024.

Companies should continue to adopt discount rates unchanged from the prior period on their valuations, whether on their investment decisions or for impairment testing.

For further information on selecting an appropriate discount rate for your company please feel free to call us.

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