

# Media Release



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## CPI SAYS IT'S TIME TO EASE UP ON INTEREST RATE INCREASES

ABS data shows that the monthly CPI for October rose 6.9% in the twelve months to October.

"The latest monthly data shows a decline from the September quarter which recorded an annual rate of 7.3%. The current rate is below the Budget forecast of 7.75% and the RBA's forecast of 8.0%," said REIA President, Hayden Groves.

"The largest increases were for housing (+10.5%), food and non-alcoholic beverages (+8.9%) and transport (+7.4%) with new dwellings prices driving the increase in housing through ongoing shortages of labour and materials."

"Rent prices increased further this month from an annual increase of 2.9% in September to 3.5% in October, reflecting the persistent low vacancy rates.

"With signs that the CPI has peaked, it is time for the RBA to ease up on its interest rate hikes at its meeting next Tuesday. There are lags between the RBA raising its cash rate and lenders passing on these increases to borrowers. Further it takes many months for any shifts in household spending behavior to show up in economic data.

"The RBA's own research shows that nearly a quarter of home loans are fixed rate and will not need to switch to variable until well into 2023. This is when this cohort will see their payments increase and adjust their spending on other items.

"I urge the RBA to wait until next year and assess the lagged impact that past increases have had before taking any further action on interest rates," concluded Mr Groves.

## ENDS

For any further information please contact Olwyn Conrau, REIA Media Consultant, 0413 600 350 [olwyn.conrau@reia.com.au](mailto:olwyn.conrau@reia.com.au)

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