

Media Release

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HOUSING, INSURANCE AND FUEL INFLATION THROW DOWN GAUNTLET TO RBA

Real Estate Institute of Australia (REIA) President, Mr Hayden Groves said the latest rise in the CPI indicator has thrown down the gauntlet to the RBA with rising inflation in key categories of housing, insurance and fuel.

Mr Groves said the monthly CPI indicator rose 5.2% in the twelve months to August, up from 4.9% in July.

“Naturally this CPI result will prompt fears of an RBA cash rate hike next Tuesday (3 October 2023).

“We would urge calm in the face of this monthly CPI figure by our monetary decision makers.

“Borrowing costs are some of the major challenges facing home developers, builders and buyers to increasing housing supply and we trust the RBA will balance the many considerations needed as we navigate through this inflationary period but also seek to house more Australians rapidly.”

Mr Groves said new dwelling prices rose 4.8% in the twelve months to August, reflecting high labour and material costs.

“While it is welcome news that the rate of price growth has continued to ease reflecting improvements in the supply of materials, subdued new demand is a reflection of the current market conditions.

“Nevertheless, the annual rise in inflation for new dwellings is the lowest since August 2021 as buyers ease off on committing to building new homes,” he said.

Mr Groves said that rent prices increasing 7.8% in the twelve months to August 2023, was up from 7.6% gains in July.

“While this shows strong demand for rental properties and tight rental markets, it also showcases the chronic housing shortage.

“It is too soon to see any relief in the rental figures although vacancy rates are showing signs of easing in certain capitals and regions.”

Mr Groves said that both insurance and fuel figures are of note this CPI.

“In terms of year-on-year comparisons, insurance prices surged by 14.7% in August, up from 14.2% in July, marking the highest annual price increase since the inception of the monthly CPI indicator.

“This spike in prices can be attributed to elevated reinsurance expenses and the heightened costs associated with natural disasters, leading to increased premiums for various types of insurance, including house, home contents, and motor vehicle coverage.

“Similarly, fuel prices increased 13.9 per cent compared to 12 months ago but could be considered transitory due to global economic pressures.”

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