Media Statement

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NO CUP DAY WIN FOR AUSSIE HOUSEHOLDS

Real Estate Institute of Australia (REIA) President, Hayden Groves, said the latest interest rate hike of 25 basis points will only add more pain to Australia's already troubled housing sector and households.

Mr Groves said that both renters and homeowners with a mortgage are once more the collateral damage from inflation control policy with the cash rate now sitting at 4.35%.

"This is particularly bad news for rental affordability, as investors will once again re-assess their capacity to hang onto a rented property. We know that whilst rents have increased, they have not risen anywhere near the rate of mortgage, land taxes and insurance costs have. The RBA's move will, no doubt, put rental supply under renewed pressure.

"It's also bad news for any Australians who hold a loan on their own home.

"Your mortgage payments are now due to increase once again combined with lag effects of previous rate rises still to occur. This will have a serious knock-on impact to rents and household costs as rates rise at their fastest pace since the 1980's."

Mr Groves said while the RBA believes the latest reading on CPI inflation indicates that while goods price inflation has eased further, the prices of many services are continuing to rise briskly.

"RBA announced in its statement that inflation in Australia has passed its peak but is still too high and is proving more persistent than expected a few months ago.

"So even the RBA has stated CPI is continuing to decline and is well below the figure RBA said would stall further rises.

"The RBA has stated the central forecast is for CPI inflation to continue to decline, progress looks to be slower than earlier expected. CPI inflation is now expected to be around 3½ per cent by the end of 2024 and at the top of the target range of 2 to 3 per cent by the end of 2025.

"CPI saw an annual increase of 5.4 per cent which is down on the June figure of 6.0 per cent and was the third consecutive quarter of annual decreases and the lowest since March 2022.

"The reality is that it is a series of supply side events that contributed to the September quarter result, not household spending, and other demand side factors. "These supply side factors cannot be fixed with another rate rise which the RBA is well aware of."

Mr Groves said that the much welcome RBA reforms due to kick in for 2024 should allow better consideration of lags in trends. "Reducing RBA Board Meetings from 11 to eight times per year. This reform will provide much-needed time to thoroughly analyse and consider the data, ultimately benefiting all Australians."

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