

Media Release

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BUDGET 2024: POSITIVE NEWS FOR INTEREST RATES IF INFLATION FORECASTS ARE RIGHT

The Real Estate Institute of Australia (REIA) has congratulated Treasurer Jim Chalmers on handing down Budget 2024 and has labelled it a strong budget if inflation forecasts hold.

REIA President, Ms Leanne Pilkington, said that Budget 2024 assumptions sees inflation return well within the Reserve Bank's target band.

“Budget 2024 puts inflation back into the target of two – three per cent by the December quarter of 2024 which is well ahead of the RBA's forecast 3.5 per cent over the same period.

“This is good news for Australians struggling with housing affordability as it will mean less uncertainty around interest rates.

“Budget 2024 promises a lot in this regard and Australia will be nervously hoping it delivers as getting inflation – and the cash rate reaching a neutral position – will be absolutely essential to the improvement of both housing supply and affordability.”

Ms Pilkington said the Australian economy growth forecast had been reduced two per cent for 2024-25 and then a further 2.25 per cent for 2025-26.

“Whilst it is a good set of books in terms of the surplus and a reasonably resilient economy it does show an economy in slowdown.

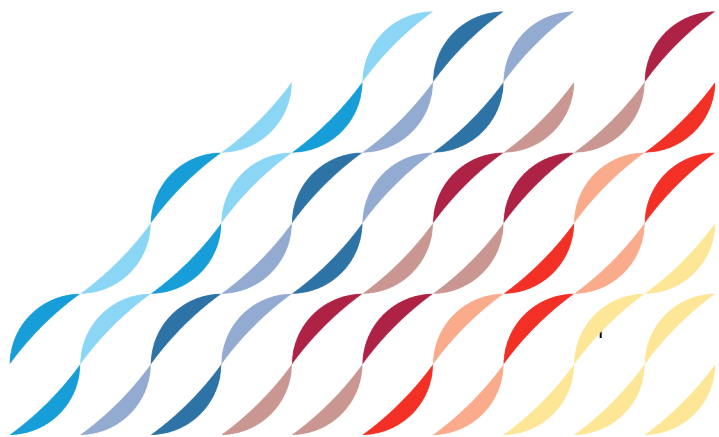
“Budget 2024 forecasts are a quarter percentage point lower than had been expected in the December mid-year update and reflect demand from consumers slowing as Australian's navigate cost of living.”

The REIA said Budget 2024's centerpiece cost-of-living package, and Homes for Australians incentives will be welcome measures for Australians.

“Rental support and energy relief in the form of increased Commonwealth Rental Assistance and power bill relief is welcome news but will likely be regarded as insufficient by the electorate.

“Nevertheless, whilst Budget 2024 is targeting components of the CPI in rents and energy costs the “sticky” services inflation remains which will put a question mark on the forecast CPI.”

Ms Pilkington said that the focus on the Homes for Australians package was welcome, but it was important to be realistic about what it is offering.



“Homes for Australians is just about allocating money to build homes for a sector already under strain and that already has a large funding pipeline.



“We need to use every tool in the toolbox to get more homes on the ground and Budget 2024 allocates more funding but does not deploy every single tool to resolve our chronic housing shortage.

“In particular, it requires all three tiers of Government – especially States – to be on board – something that has been lacking in the past. This will be particularly the case for the much-touted new Intergovernmental Agreement on housing.

“Again, this points towards the promise Budget 2024 makes around getting inflation under control and interest rates being the critical factor in unlocking supply – or at the very least – not further inhibiting it.”

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