

Tuesday, 28 March 2023

## ‘Mortgage stress’ increases to its highest since September 2011 with 25.3% of mortgage holders now ‘At Risk’

New research from Roy Morgan shows an estimated 1.23 million mortgage holders (25.3%) were ‘At Risk’ of ‘mortgage stress’ in the three months to February 2023. This period encompassed two interest rate increases of 0.25% taking official interest rates to 3.35% in early February.

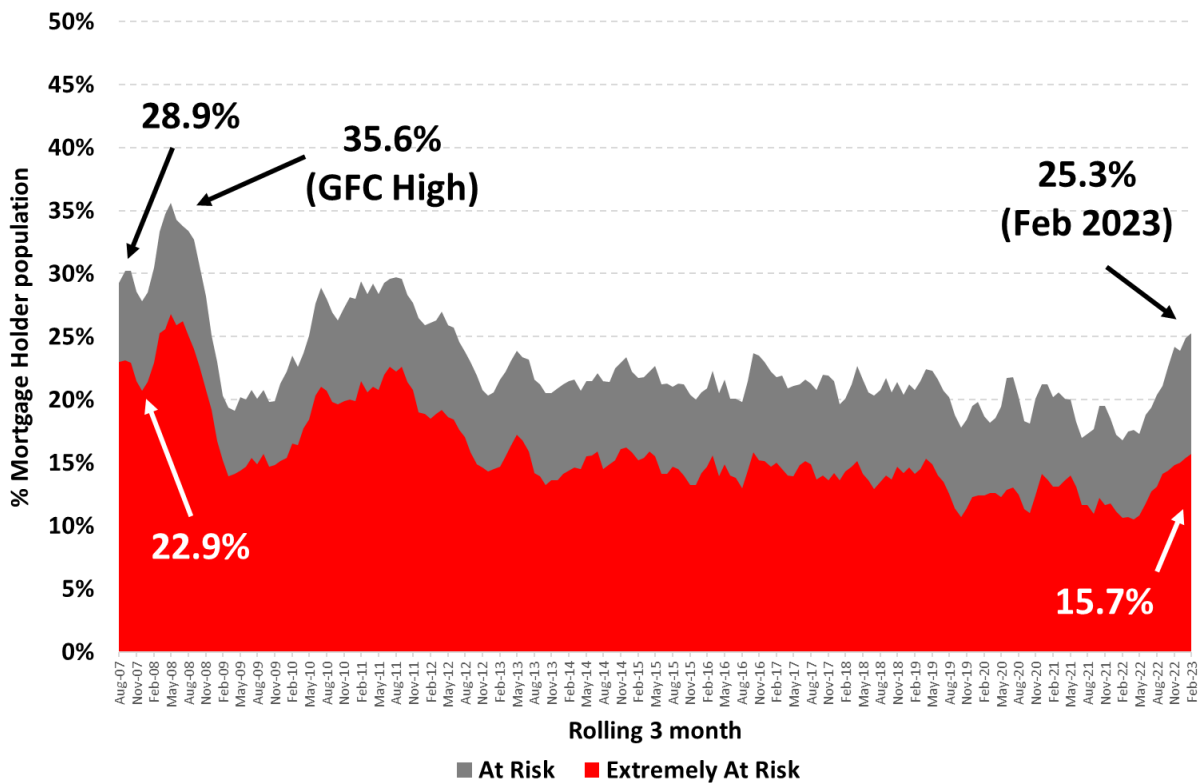
This is the highest number of mortgage holders considered ‘At Risk’ since there were nearly 1.3 million ‘At Risk’ in September 2011. The proportion of mortgage holders considered ‘At Risk’ of mortgage stress in the three months to February 2023 (25.3%) is the highest for over a decade since June 2012 (25.7%).

The number of Australians ‘At Risk’ of mortgage stress has increased by 514,000 over the last year as the RBA increased interest rates for ten consecutive monthly meetings. Official interest rates are now at 3.6% in March 2023, the highest official interest rates since June 2012 over a decade ago.

However, despite the sharp increase in the level of mortgage stress during the last year the overall number remains well below the high reached during the Global Financial Crisis in early 2009 of 35.6% (1,455,000 mortgage holders).

The number of mortgage holders considered ‘Extremely At Risk’, has now increased to 735,000 (15.7%) in the three months to February 2023 which is now significantly above the long-term average over the last 15 years of 659,000 (15.9%).

### Mortgage Stress – Owner-Occupied Mortgage-Holders



Source: Roy Morgan Single Source (Australia), average interviews per 3 month period April 2007 – February 2023, n=2,723.  
 Base: Australians 14+ with owner occupied home loan.

FOR IMMEDIATE RELEASE

**Mortgage Risk set to increase to 1.45 million mortgage if RBA raises rates by +0.25% in April**

Official RBA interest rates are now at a decade high of 3.6% and there is a high chance interest rates increase in April by +0.25% and perhaps in May as well by +0.25%. The forecast for these increases is based on the highest inflation figures for over 30 years in [December 2022 \(7.8%\)](#). The instability in financial markets during the past month however has tempered the expectations for further rate rises.

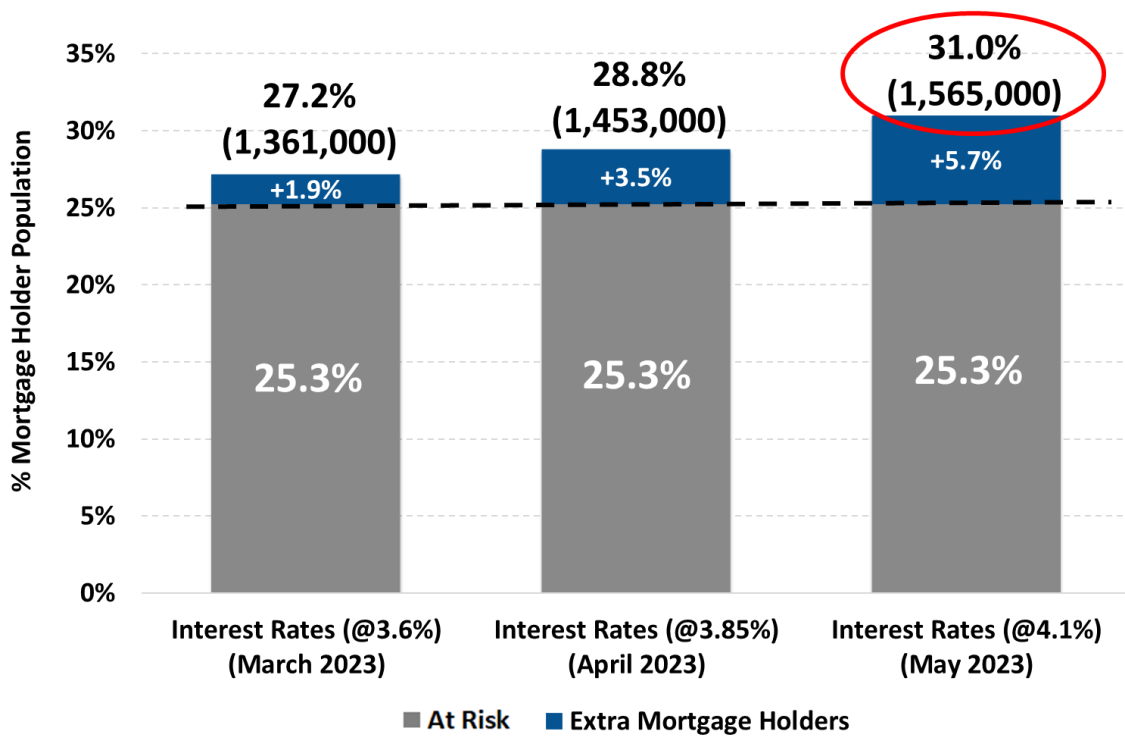
Despite these other factors Roy Morgan has modelled the impact of two potential RBA interest rate increases of +0.25% in both April (+0.25% to 3.85%) and May (+0.25% to 4.1%).

In February 25.3% of mortgage holders, 1,230,000, were considered ‘At Risk’ and with potential future interest rate increases to come this would increase to almost 1-in-3 mortgage holders by May 2023.

If the RBA raises interest rates by +0.25% in April to 3.85% there will be 28.8% (up 3.5% points) of mortgage holders, 1,453,000, considered ‘At Risk’ in April 2023 – an increase of 223,000.

If the RBA raises interest rates by a further +0.25% in May to 4.1% there will be 31.0% (up 5.7% points) of mortgage holders, 1,565,000, considered ‘At Risk’ in May 2023– an increase of 335,000.

**Mortgage Risk at different level of interest rate increases in April & May 2023**



Source: Roy Morgan Single Source (Australia), Dec. 2022 – Feb. 2023, n=3,218. Base: Australians 14+ with owner occupied home loan.

**How are mortgage holders considered ‘At Risk’ or ‘Extremely At Risk’ determined?**

Roy Morgan considers the risk of ‘mortgage stress’ among Mortgage holders in two ways:

Mortgage holders are considered ‘At Risk’<sup>1</sup> if their mortgage repayments are greater than a certain percentage of household income – depending on income and spending.

Mortgage holders are considered ‘Extremely at Risk’<sup>2</sup> if even the ‘interest only’ is over a certain proportion of household income.

<sup>1</sup> "At Risk" is based on those paying more than a certain proportion of their after-tax household income (25% to 45% depending on income and spending) into their home loan, based on the appropriate Standard Variable Rate reported by the RBA and the amount they initially borrowed.

<sup>2</sup> "Extremely at Risk" is also based on those paying more than a certain proportion of their after-tax household income into their home loan, based on the Standard Variable Rate set by the RBA and the amount now outstanding on their home loan.

## Unemployment is the factor which has the largest impact on income and mortgage stress

It is worth understanding that this is a conservative model, essentially assuming all other factors remain the same. And of course we are already seeing an increase in unemployment ([Australian full-time employment hit a record high above 8.9 million in February, as unemployment falls – March 6, 2023](#)).

The greatest impact on an individual, or household's, ability to pay their mortgage is not interest rates, it's if they lose their job or main source of income.

## Michele Levine, CEO Roy Morgan, says mortgage stress is now at its highest in over a decade and another interest rate increase next week will mean over 1.45 million Australians will be considered 'At Risk' of mortgage stress – near the record high reached in May 2008:

*"The latest Roy Morgan data shows mortgage stress in the Australian housing market has continued to increase with 1.23 million mortgage holders (25.3%) defined as 'At Risk' in February 2023, up 514,000 (+8.5% points) on a year ago before the RBA began hiking interest rates.*

*"The figures for February 2023 take into account the first nine of the RBA's interest rate increases which lifted official interest rates from 0.1% in May last year to 3.35% in February. Since then, the RBA has increased interest rates once more, up +0.25% to 3.6% - the highest level of official interest rates for over a decade since June 2012.*

*"The [ABS quarterly CPI figures for the year to December 2022 released in late January showed Australian inflation hitting a 33 year high of 7.8%](#) - the highest since March 1990 (7.8%). However, a new monthly [ABS inflation indicator showed inflation slowing to 7.4% in the year to January 2023](#). The latest figures for February 2023 are due out this week and if they show a further fall may well influence the RBA to halt its series of interest rate increases next week.*

*"If inflation doesn't slow again this week the RBA is likely to follow the example of central banks overseas including the Federal Reserve in the USA ([raised interest rates by +0.25% to a range of 4.75-5.00% on March 22, 2023](#)) and the Bank of England ([raised interest rates by +0.25% to 4.25% on March 23, 2023](#)) and raise interest rates again next week by +0.25% to 3.85%.*

*"If the RBA does raise interest rates again in next week by 0.25% Roy Morgan forecasts that mortgage stress is set to increase to over 1.45 million mortgage holders considered 'At Risk' by April 2023 – 28.8% of all mortgage holders, the highest since September 2011.*

*"Of more concern is the rise in mortgage holders considered 'Extremely At Risk', now estimated at 735,000 (15.7%) in February 2023 – the highest since October 2016 (15.8%). The number of mortgage holders considered 'Extremely At Risk' in February 2023 remains just below the long-term average of 15.9% since mid-2007.*

*"When considering the data on mortgage stress it is always important to appreciate that interest rates are only one of the variables that determines whether a mortgage holder is considered 'At Risk'. The variable that has the largest impact on whether a borrower falls into the 'At Risk' category is related to household income – which is directly related to employment.*

*"The latest figures on mortgage stress show that rising interest rates are causing a large increase in the number of mortgage holders considered 'At Risk' and further interest rate increases will spike these numbers even further in the months ahead. If there is a sharp rise in unemployment during this period mortgage stress is set to rise towards the record high of 35.6% of mortgage holders considered 'At Risk' in May 2008 during the early days of the Global Financial Crisis of 2007-08-09.*

*"The latest [Roy Morgan employment estimates show a near-record 13.5 million Australians were employed in February 2023](#), up by over 600,000 since February 2020 when there were 12.9 million employed pre-pandemic. The strong growth in the jobs market has attracted more Australians into the labour force and there are now over 1.5 million unemployed Australians (10.1% of the workforce) compared to 1.17 million pre-pandemic."*



These are the latest findings from Roy Morgan's Single Source Survey, based on in-depth interviews conducted with over 60,000 Australians each year including over 10,000 owner-occupied mortgage-holders.

To understand more about mortgages in the full context of household finances and the uncertainties caused by the COVID-19 coronavirus and rising interest rates and inflation, ask Roy Morgan.

To learn more about Roy Morgan's mortgage data, call (+61) (3) 9224 5309 or email [askroymorgan@roymorgan.com](mailto:askroymorgan@roymorgan.com).

Please click on this link to the [Roy Morgan Online Store](#).

### About Roy Morgan

Roy Morgan is Australia's largest independent Australian research company, with offices in each state, as well as in the U.S. and U.K. A full-service research organisation, Roy Morgan has over 80 years' experience collecting objective, independent information on consumers.

### Margin of Error

The margin of error to be allowed for in any estimate depends mainly on the number of interviews on which it is based. Margin of error gives indications of the likely range within which estimates would be 95% likely to fall, expressed as the number of percentage points above or below the actual estimate. Allowance for design effects (such as stratification and weighting) should be made as appropriate.

Sample Size	Percentage Estimate			
	40%-60%	25% or 75%	10% or 90%	5% or 95%
5,000	±1.4	±1.2	±0.8	±0.6
20,000	±0.7	±0.6	±0.4	±0.3
50,000	±0.4	±0.4	±0.3	±0.2