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ROY MORGAN

FOR IMMEDIATE RELEASE

Tuesday, 23 April 2024

Mortgage stress declined in March as household incomes increased and the RBA left interest rates unchanged

New research from Roy Morgan shows although a large 1,531,000 mortgage holders (30.3%) were 'At Risk' of 'mortgage stress' in the three months to March 2024, this result was a decrease of 98,000 (-1.1%) on a month earlier after the RBA elected to leave interest rates unchanged for the third straight meeting.

The level of mortgage stress in March is the lowest so far this year and this month's decline has been driven by rising household incomes which has reduced the financial pressure on some mortgage holders. The figure of mortgage stress in March is very similar to the number of mortgage holders considered 'At Risk' of mortgage stress in the three months to December 2023 which was 1,527,000 (30.3%).

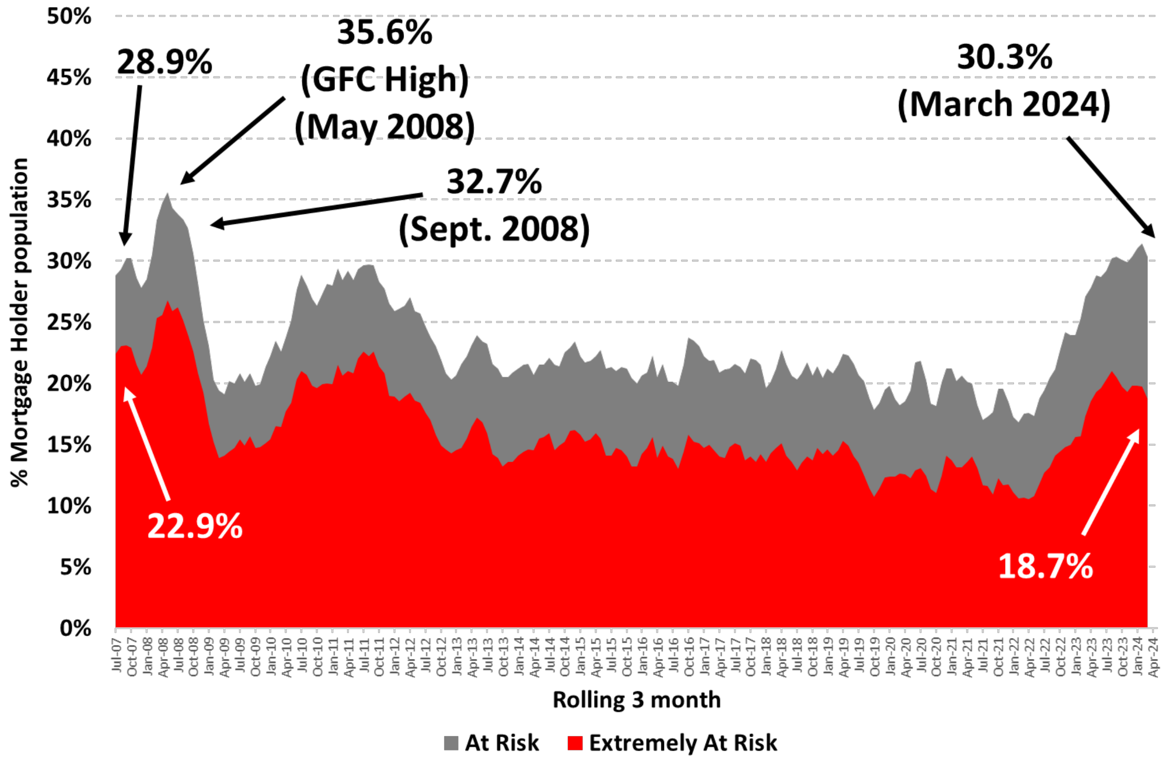
The proportion of mortgage holders now 'At Risk' (30.3%) is well below the record high reached during the Global Financial Crisis because of the larger size of the Australian mortgage market today. The record high of 35.6% of mortgage holders in mortgage stress was reached in mid-2008.

724,000 more 'At Risk' of mortgage stress nearly two years after interest rate increases began

The number of Australians 'At Risk' of mortgage stress has increased by 724,000 since May 2022 when the RBA began a cycle of interest rate increases. Official interest rates are now at 4.35%, the highest interest rates have been since December 2011, over a decade ago.

The number of mortgage holders considered 'Extremely At Risk', is now numbered at 918,000 (18.7% of mortgage holders) which is significantly above the long-term average over the last 10 years of 14.4%.

Mortgage Stress – % of Owner-Occupied Mortgage-Holders



Source: Roy Morgan Single Source (Australia), average interviews per 3 month period April 2007 – March 2024, n=2,784.
Base: Australians 14+ with owner occupied home loan.

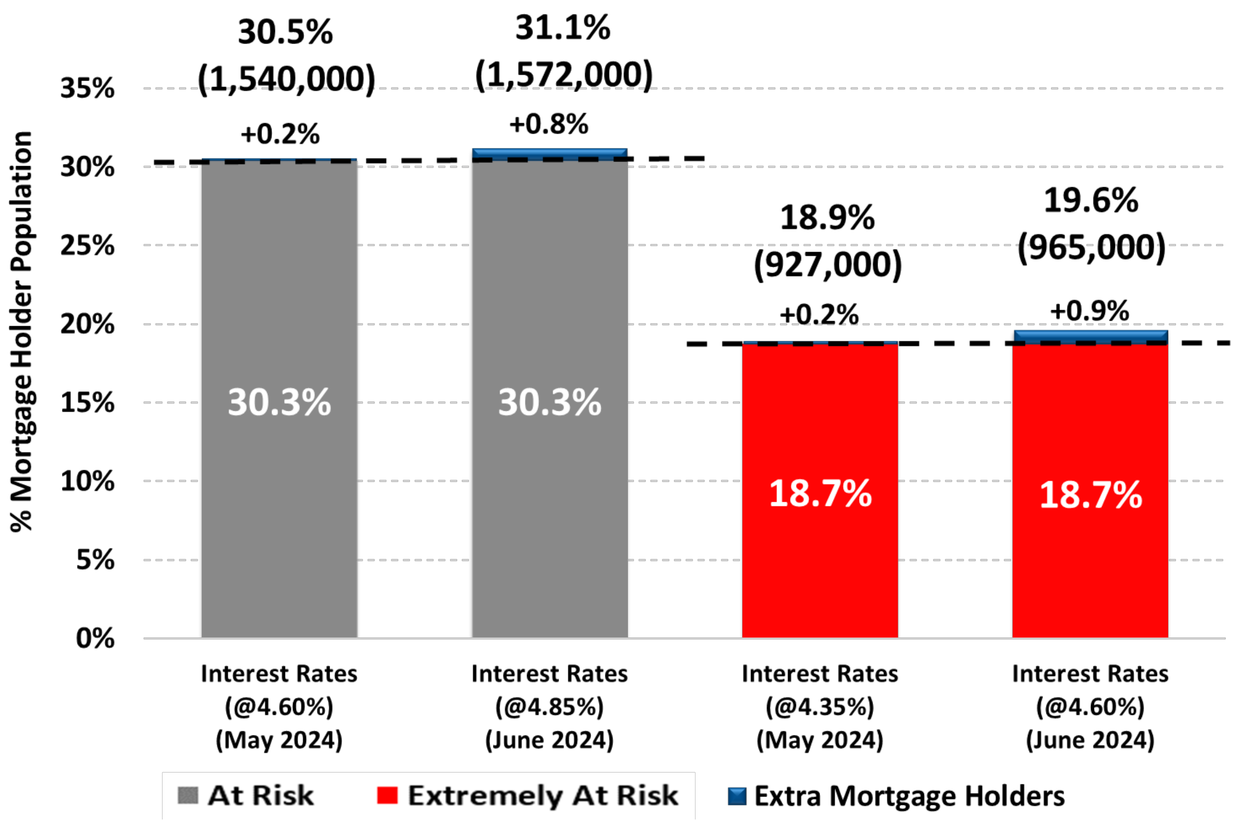
Mortgages 'At Risk' set to increase to 1.54 million if RBA raises rates by +0.25% in May 2024

Roy Morgan has modelled the impact of potential RBA interest rate increases of +0.25% in May 2024 (+0.25% to 4.6%) and another increase of +0.25% in June 2024 (+0.25% to 4.85%).

In March, 30.3% of mortgage holders, 1,531,000, were considered 'At Risk'. If the RBA raises interest rates by +0.25% in May to 4.6%, there will be 30.5% (up 0.2% points) of mortgage holders, 1,540,000, considered 'At Risk' in May 2024 – an increase of 9,000 on March 2024.

If the RBA raises interest rates by another +0.25% in June to 4.85%, there will be 31.1% (up 0.8% points) of mortgage holders, 1,572,000, considered 'At Risk' in June 2024 – an increase of 41,000 on March 2024.

Mortgage Risk projected forward following interest rate increases in May and June 2024



Source: Roy Morgan Single Source (Australia), January – March 2024, n=3,478.
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'[1] 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'[2] if even the 'interest only' is over a certain proportion of household income.

[1] "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.
[2] "Extremely at Risk" is also 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 Standard Variable Rate set by the RBA and the amount now outstanding on their home loan.

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

It is worth understanding that this is a conservative forecasting model, essentially assuming all other factors remain the same.

The latest Roy Morgan unemployment estimates for March show almost one-in-five Australian workers are either unemployed or under-employed – 2,934,000 (18.8% of the workforce); (Australian unemployment dropped in March as part-time jobs surged; but this caused an increase in under-employment) – but a significant increase of 205,000 on a year ago.

While all eyes are on the latest inflation figures and their potential influence on future movements in interest rates, the fact remains that 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 has eased in March as a strong jobs market and rising household incomes has helped lower mortgage stress to its lowest for three months with 1.53 million mortgage holders now considered 'At Risk':

> *"The latest Roy Morgan data shows 1,531,000 mortgage holders were 'At Risk' of mortgage stress in March 2024, down 98,000 from February, but virtually unchanged from December 2023 (1,527,000) – the month after the Reserve Bank raised interest rates to a 12 year high of 4.35%.*
>
> *"Nevertheless, the figures for March 2024 represent an increase of 724,000 mortgage holders considered 'At Risk' since the RBA began raising interest rates in May 2022. The figures take into account 13 rate increases which raised interest rates by a total of 4.25% points to 4.35%.*
>
> *"The pause in rate increases for the last five months since November 2023 has reduced the pressure on mortgage holders and allowed growth in several areas of the economy to 'catch up'. Rising household incomes so far this year have been a significant driver of reducing mortgage stress from the highs above 1.6 million reached in recent months. The same reduction in mortgage stress was seen after the RBA paused rate increases for four months from July – October 2023.*
>
> *"The latest ABS monthly inflation figures for February 2024 showed annual inflation at 3.4% - unchanged over the last three months since December 2023, but down a large 5% points from a year earlier. This is the equal lowest inflation for over two years since November 2021 (3.2%).*
>
> *"Although inflation pressures have clearly eased, the level of inflation remains above the Reserve Bank's preferred target range of 2-3% and inflation indicators such as petrol prices remain high. For the first time in history average retail petrol prices have been above $1.80 per litre for a record 41 straight weeks – equivalent to ten months.*
>
> *"For these reasons we have modelled further interest rate increases of +0.25% in May and June 2024. If the RBA raises interest rates by 0.25% in May and June to 4.85%, Roy Morgan forecasts mortgage stress would increase to 1.57 million mortgage holders (31.1%) considered 'At Risk'.*
>
> *"The latest figures for March show that when considering the data on mortgage stress, it is always important to appreciate interest rates are only one of the variables that determines whether a mortgage holder is considered 'At Risk' of mortgage stress.*
>
> *"The variable that has the largest impact on whether a borrower falls into the 'At Risk' category is related to household income – directly related to employment. The employment market has been exceptionally strong over the last year, and this has underpinned rising household incomes that have helped to moderate the increases in mortgage stress since mid-2023.*
>
> *"However, rising interest rates since May 2022 have caused a large increase in the number of mortgage holders considered 'At Risk'. If there is a reacceleration in inflation over the months ahead, that results in further interest rate increases in 2024, levels of mortgage stress will begin to increase again later this year."*

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. 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
60,000	±0.4	±0.4	±0.2	±0.2