

Tuesday, 21 May 2024

Mortgage stress increased to 30.8% of mortgage holders in April but remains below highs reached earlier in 2024

New research from Roy Morgan shows there are now 1,560,000 mortgage holders (30.8%) 'At Risk' of 'mortgage stress' in the three months to April 2024. This represents an increase of 29,000 (+0.5%) on a month earlier but remains below the highs reached earlier in 2024.

There was no RBA board meeting on interest rates during the month of April.

The level of mortgage stress in April represents an increase on March but is still below the highs reached in January and February 2024 soon after the RBA's most recent interest rate increase in November 2023. The lower level of mortgage stress in March and April has been driven by rising household incomes which has reduced the financial pressure on some mortgage holders.

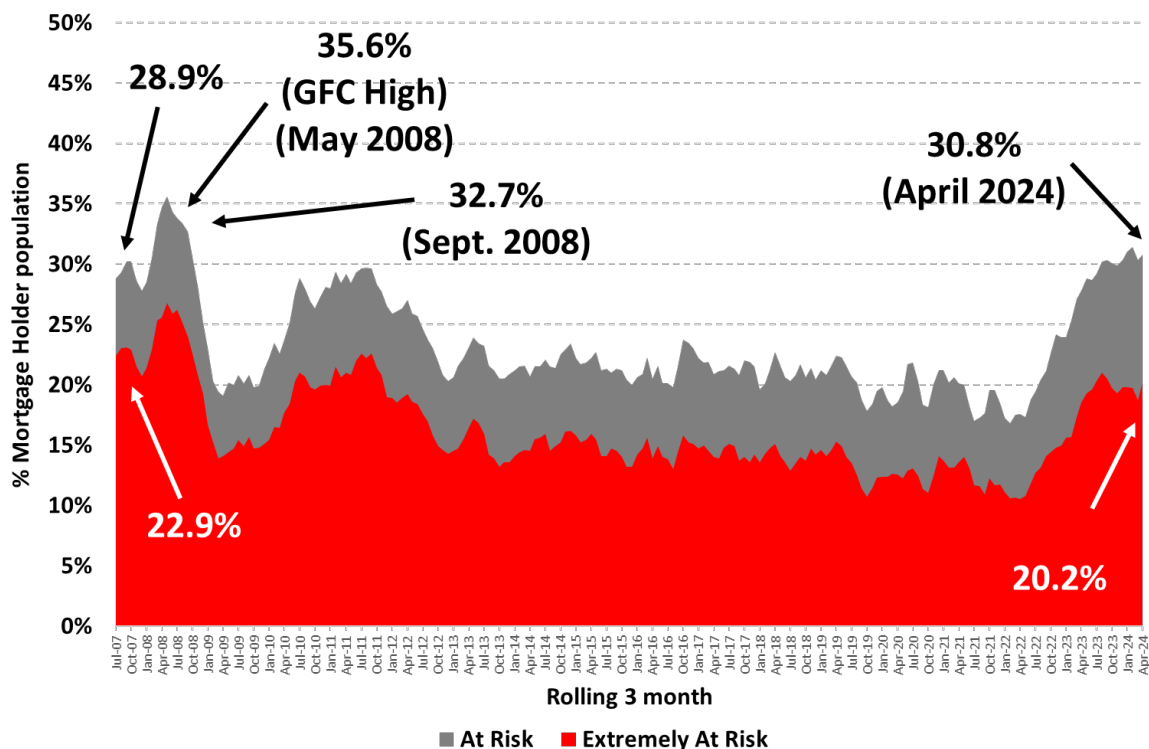
The proportion of mortgage holders now 'At Risk' (30.8%) is well below the record high reached during the Global Financial Crisis because of the larger size of the Australian mortgage market today. The record high of 35.6% of mortgage holders in mortgage stress was reached in mid-2008.

753,000 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 753,000 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 994,000 (20.2% 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 – April 2024, n=2,789.

Base: Australians 14+ with owner occupied home loan.

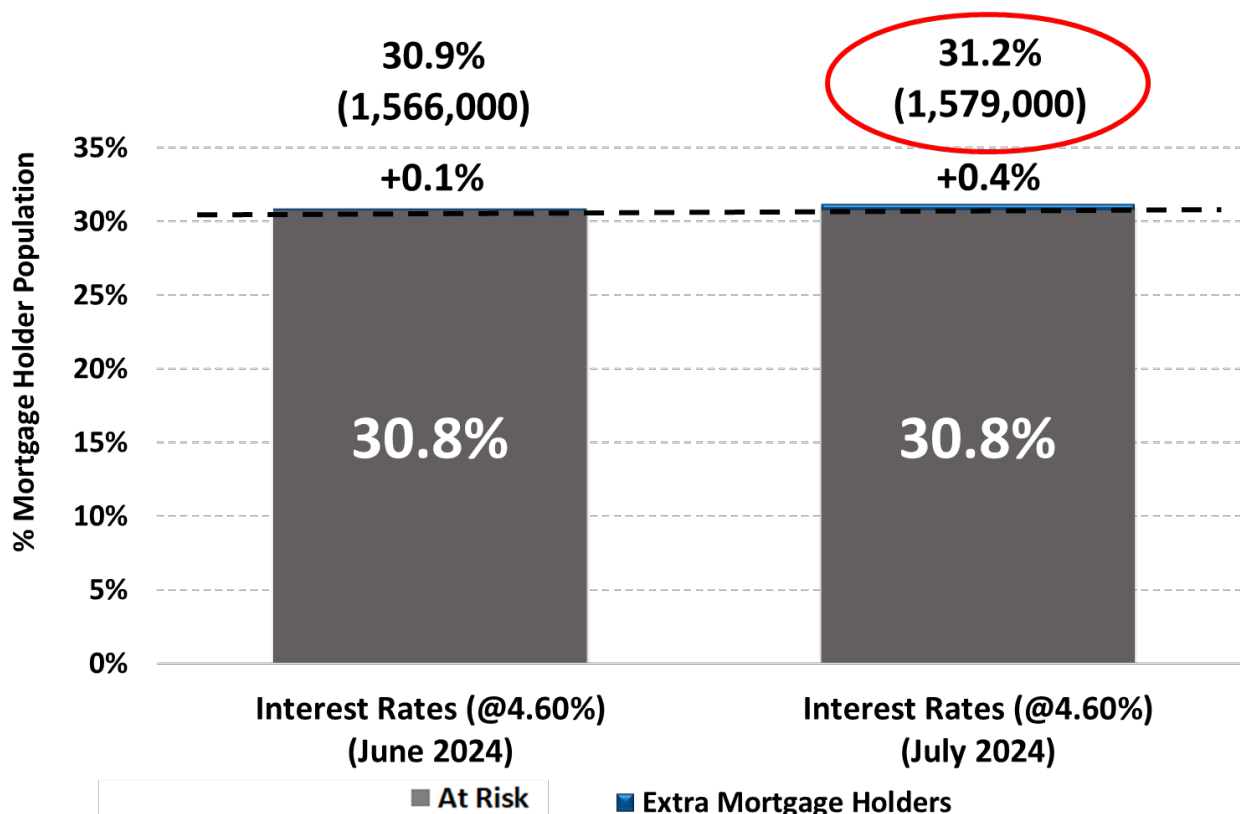
Mortgages 'At Risk' set to increase to over 1.56 million if RBA raises rates by +0.25% in June 2024

Roy Morgan has modelled the impact of a potential RBA interest rate increase of +0.25% in June 2024 (+0.25% to 4.6%). There is no RBA meeting set for July 2024.

In April, 30.8% of mortgage holders, 1,560,000, were considered 'At Risk'. If the RBA raises interest rates by +0.25% in June to 4.6%, there will be 30.9% (up 0.1% points) of mortgage holders, 1,566,000, considered 'At Risk' in June 2024 – an increase of 6,000 on April 2024.

Looking forward into July, the number of mortgage holders considered 'At Risk' will increase slightly further to 1,579,000 (31.2%, up 0.4% points from April 2024) – an increase of 19,000 on April 2024.

Mortgage Risk projected forward following interest rate increase in June 2024



Source: Roy Morgan Single Source (Australia), February – April 2024, n=3,679.

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.



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 April show almost one-in-five Australian workers are either unemployed or under-employed – 3,129,000 (19.8% of the workforce); ([Australian unemployment increases in April to 9.7% – total labour under-utilisation at highest since October 2020](#)) – a massive increase of 503,000 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 increased slightly in April, with 1.56 million mortgage holders (up 29,000) now considered 'At Risk', but this level remains clearly below the highs above 1.6 million mortgage holders reached earlier this year:

"The latest Roy Morgan data shows 1,560,000 mortgage holders were 'At Risk' of mortgage stress in April 2024, up 29,000 from March, but still well below the record highs above 1.6 million mortgage holders reached in January 2024 (1,609,000) and February 2024 (1,629,000).

"The pause in rate increases for the last six 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 earlier in the year. The same reduction in mortgage stress was seen after the RBA paused rate increases for four months from July – October 2023.

"The figures for April 2024 represent an increase of 753,000 mortgage holders considered 'At Risk' since the RBA began raising interest rates over two years ago 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 latest [ABS quarterly inflation figures for March 2024](#) showed annual inflation at 3.6% - down 0.5% points from the December 2023 quarterly figures, but less than half the comparable figure for December 2022 quarter of 7.8%. This is the lowest quarterly annual inflation result for over two years since December 2021 quarter (3.5%).

"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 45 straight weeks – equivalent to over ten months.

"For these reasons we have modelled an interest rate increase of +0.25% in June 2024. If the RBA raises rates by 0.25% in June to 4.6%, Roy Morgan forecasts mortgage stress would increase to 1.58 million mortgage holders (31.2%) considered 'At Risk' in the three months to July 2024.

"The figures for mortgage stress in March and April show that 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' 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 ([the latest Roy Morgan employment estimates show 418,000 new jobs created compared to a year ago](#)), and this has underpinned rising household incomes that have helped to moderate the increases in mortgage stress since mid-2023."

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