

## RBA raises November cash rate, industry reacts

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by Ryan Johnson | 07 Nov 2023



The official cash rate has been lifted by 25 basis points, taking it to 4.35% in a move tipped by most economists and all major banks.

The decision by the RBA board resumes the rate rising cycle ending four months of pauses. It followed the latest inflation data and other economic indicators which came in higher than expected.

Many in the finance industry are concerned about the impact of another rate rise on borrowers, as 12 rate rises in 18 months have already pushed many to the brink and depleted their savings.

Reserve Bank governor Michele Bullock (pictured far left) said Inflation in Australia has passed its peak but is "still too high" and is proving more persistent than expected a few months ago.

"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. While the central forecast is for CPI inflation to continue to decline, progress looks to be slower than earlier expected," Bullock said.

"CPI inflation is now expected to be around 3.5% by the end of 2024 and at the top of the target range of 2% to 3% by the end of 2025. The Board judged an increase in interest rates was warranted today to be more assured that inflation would return to target in a reasonable timeframe." Bullock said.

### Governor's honeymoon over, more pain ahead

The honeymoon for the new RBA governor is over, and the "grinch" is back in town before Christmas, according to Chris Foster Ramsay (pictured above second from left)

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2024," Foster-Ramsay said.

"Back-to-school purchases, swimming lessons, kids' sports and Easter holidays may all now face the chop, which is unfortunate because of their importance to an average Australian Family."

As 2023 draws to a close, it is evident that many people are already struggling to cope with the rising cost of living, especially the increasing cost of their mortgages.

Monthly home loan repayments have risen since the [May 2022 cash rate rise](#) by an estimated \$1,461 per month on a \$600,000 loan over 30 years or \$2,435 per month on a \$1 million loan.

Before the increase, a Canstar survey of 893 Australian mortgage holders in October found that just 31% of borrowers felt confident they could continue to make loan repayments if interest rates rise again.

"This leaves 69% of mortgage holders who are likely to buckle from a rate hike," said Effie Zahos (pictured above second from right), Canstar's editor-at-large and money expert.

## Interest rate rises directly correlated with suicide

Now that another rate hike has occurred, another \$101 will be heaped onto monthly repayments for a \$600,000 loan or \$168 per month for a \$1 million loan.

[FBAA](#) managing director Peter White AM expressed deep concern, especially in light of comments from the Salvation Army about a "direct correlation" between interest rate rises and suicide.

[Speaking to the Daily Telegraph](#), a Salvation Army spokesperson said, "we could triple the volume of our call centre staff for our crisis assistance lines, and the phone would keep ringing".

White said while Australia's finance and mortgage brokers were not health professionals, they did "hear the human stories" as they assisted many people who were struggling to make repayments far higher than what they were paying and had budgeted for.

"We are able to assist many people but there are some we cannot simply because lenders won't refinance them," said White.

"I understand the need for the RBA to do what they feel is best for the nation economically, but surely as a society we also have to consider the human cost."

## Rate hike no surprise given economic indicators

While the rate hike would likely put increased pressure on borrowers, the decision came as "no surprise at all", according to Tim Ash, CEO and founder of investment group Property Investors.

"It is one of only a few mechanisms the Reserve Bank has to place pressure on inflation," Ash said. "With high immigration, consumer purchasing power, and governments spending at state and federal levels, I was not surprised to get a rise before the festive season shopping and new year."

"Cost of goods for most business have risen with prices being passed on and with demand ahead of supply especially in the property market what other options does the RBA have? More media fear?"

This was [generally the consensus among experts heading into the RBA's board meeting](#).


In Finder's RBA Cash Rate Survey, more than two-thirds of the expert panel (69%, 31 out of 45) had forecasted that the RBA would raise the cash rate in November, with all of those anticipating the 25-basis-point rise.




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Tom Newman (pictured above far right), mortgage broker at Summit Finance, said he understood why there would be some mixed reactions with the decision, with some welcoming the rate rise as necessary to combat inflation, while others expressing concern that it could hurt economic growth.

"The cash rate hike was justified given the [recent economic indicators](#). Inflation in Australia is currently at a 30-year high and wage growth is accelerating," Newman said.

"The RBA is concerned that if inflation is not brought under control, it could become entrenched and lead to even higher interest rates in the future."

## Has the RBA's interest rate rise cycle ended?

While the decision to raise rates will inevitably change the economic and borrowing landscape, its impact on borrowers themselves is yet to be seen.

Newman said the rise in the cash rate would make it more expensive for borrowers to borrow money as banks pass on the higher interest rates to their customers.

"The impact of the cash rate increase on borrowers will vary depending on their individual circumstances," Newman said. "Borrowers with variable rate loans will see their repayments increase immediately. Borrowers with fixed rate loans will not see their repayments increase until their fixed rate period expires."

Ash said the main issue was the [servicing cost and size of the loan](#).

"This will mean less first home buyers now with the fear of further rate hikes, and investors having to place rental price increase to cover interest costs. it will place demand on the lower end of the market pricing," Ash said.

As for whether this is the end of the interest rate rise cycle, Ash said there could be more pain to come.

"While I feel we are close I don't think we are there yet," Ash said.

According to Newman, it was more difficult to say.


"The RBA has said that it will continue to monitor the economic data and make decisions on interest rates on a meeting-by-meeting basis," Newman said. "However, given the high level of inflation, it is likely that the RBA will raise rates further in the coming months."

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