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Australians Tap Savings as Mortgage Costs Climb

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Australians have increasingly turned to their savings as escalating mortgage expenses place household budgets under pressure. New data released in June shows that the total value of home loans spiked by AUD17.7 billion, driven by a lending surge following two Reserve Bank of Australia (RBA) cash rate reductions earlier this year. According to Canstar's research director, Sally Tindall, the robust growth in mortgage lending is closely linked to the persistent rise in property prices across the nation. At the same time, household deposits declined by 0.74 percent during June, marking both the first decrease in a year and the most significant drop in over two years.

The Australian Bureau of Statistics (ABS) noted that this drawdown in savings coincided with the end of the financial year, a period typically associated with increased consumer spending and bill payments. Tindall explained that this temporary hit to household savings is common at this time, as Australians routinely access their deposits to cover year-end financial commitments. However, analysts maintain that despite the cost-of-living challenges, Australians generally remain committed to rebuilding their cushion of emergency funds.

Throughout early 2025, the RBA implemented two 25-basis-point reductions in the official cash rate, bringing it down to 3.85 percent by May. Yet, despite these policy moves, many banks did not pass the full benefit directly to borrowers. Average mortgage rates remain stubbornly high, with most three-year mortgage products still above 5.8 percent, and popular fixed rates around 5.49 percent or more, according to Trading Economics and industry sources. This partial relief means that even after central bank action, mortgage repayments for many households remain elevated, forcing tighter financial management.

Commentary from financial services underscores that property price growth has outpaced relief efforts and competition among lenders remains fierce. While inflation rates have eased to their lowest since the pandemic according to the ABS, providing some hope for further rate cuts at the upcoming August RBA meeting, the reality for most Australians is a continued squeeze from high mortgage obligations. The

June decline in savings signals the real-world impact of persistent property inflation and limited relief from official measures. It serves as a reminder, particularly amid changing policy settings, of the importance for households to remain vigilant in managing debt and maintaining robust savings buffers in uncertain economic times.