

Market commentary

The RBA held the cash rate steady at 4.10% on 1 April 2025 following the first meeting of the new Monetary Policy Board. The RBA decision noted that underlying inflation is moderating since peaking in 2022 but remains cautious on the outlook. The Board also stated that “monetary policy is well placed to respond to international developments”, recognising the uncertain macro-economic backdrop on tariffs and trade. The next RBA decision will be on 20 May 2025. The AUD cash rate futures market is pricing in the potential for further 2-3 rate reductions in 2025.

Markets were volatile during the month of March 2025 as global markets reacted to higher fiscal stimulus out of Europe to support defense spending and the impact of US tariff implementation.

The Australian unemployment rate was 4.1% in February 2025. Australian employment reduced by 52.8k jobs, missing expectations for a 30k gain in a sign of labour market weakness. Monthly CPI indicator fell to 2.4% year-on-year in February 2025, lower than consensus estimates of 2.5%. The slowdown in inflation was led by cooling housing inflation and a decline in the cost of fuel.

Long term bond yields, which determine what Housing Australia can offer the community housing sector have increased month-on-month (Chart 3). As at 31 March 2025 the 10-year Government bond yield was 4.38%. This equates to an estimated 10-year cost of borrowing for Housing Australia of 4.85%. The Housing Australia spread is approximately 46 basis points above the 10-year Government Bond yield.

The following table shows the estimated cost of long-term fixed rate funding for Housing Australia as of 31 March 2025. The interest rates that Housing Australia can offer registered Community Housing Providers (CHPs) for lending to established properties typically ranges from 0.65% to 1.00% above Housing Australia’s funding cost (excluding establishment fees) depending on the nature and terms of the loan. Higher margins apply for construction lending.

Housing Australia's estimated AHBA cost of funds	10 years	12 years	15 years
Fixed rate cost of funds	4.85%	4.99%	5.13%

CHPs interested in AHBA finance should speak to their Housing Australia Relationship Manager for information on the relevant margin applicable to their project.

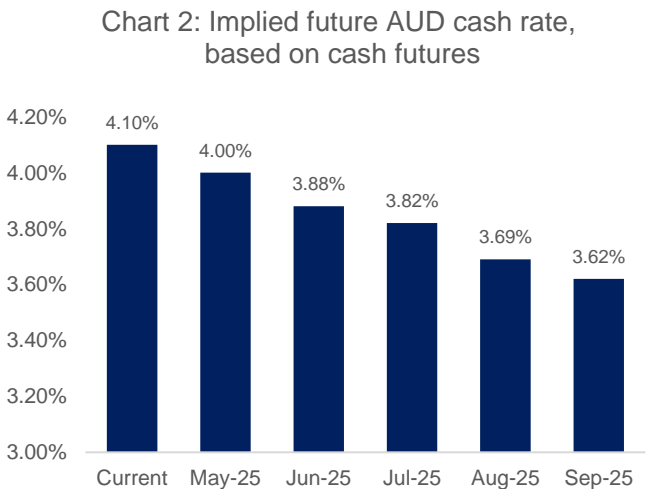
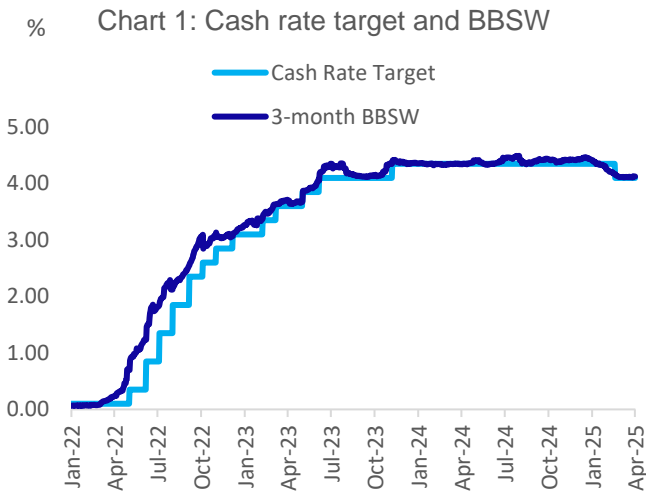
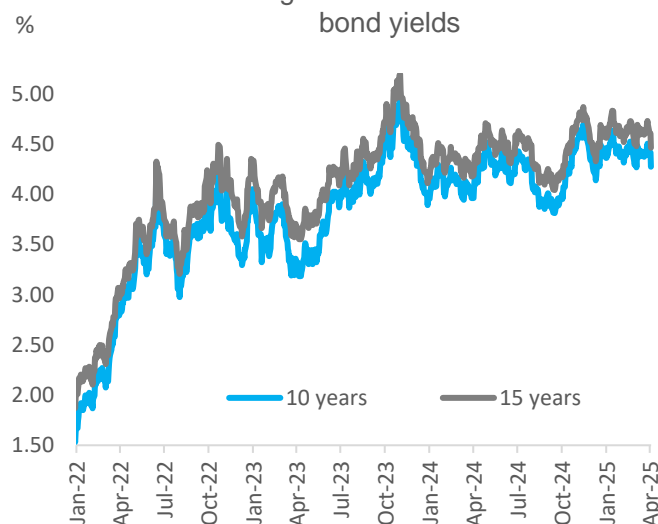
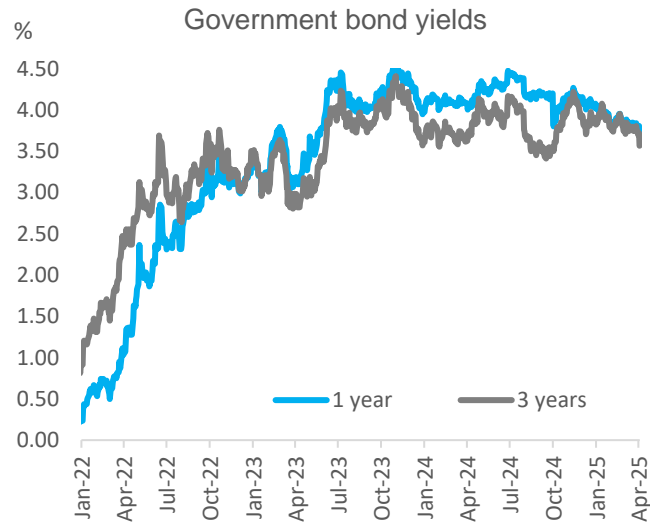


Chart 3: Long-term Australian Government bond yields



	2022	2023	2024	2025
Date	30-Dec	29-Dec	31-Dec	31-Mar
10 yrs	4.05%	3.96%	4.36%	4.38%
15 yrs	4.34%	4.17%	4.56%	4.62%

Chart 4: Short-term Australian Government bond yields



	2022	2023	2024	2025
Date	30-Dec	29-Dec	31-Dec	31-Mar
1 yr	3.33%	3.97%	4.02%	3.78%
3 yrs	3.50%	3.61%	3.82%	3.70%

Macroeconomic data

Data	Latest	Previous	Δ
RBA Cash Target Rate	4.10%	4.10%	+0.00%
AUDUSD	0.6271	0.6209	0.0062
AU Unemployment Rate	4.1%	4.1%	+0.0%
AU Headline CPI Indicator YoY	2.4%	2.5%	-0.1%
AU GDP YoY	1.3%	0.8%	+0.5%
US Fed Funds	4.25% - 4.50%	4.25% - 4.50%	+0.00%

Note

The source of all market data in this report is Bloomberg.

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