

Steady Rates the Appropriate Decision – HIA

The Housing Industry Association (HIA), Australia's largest building industry organisation, applauds the Reserve Bank's decision to adopt a wait and see approach to interest rates.

"Today's decision by the RBA to leave interest rates unchanged is appropriate given uncertainty over the trajectory of the economic recovery and question marks over the sustainability of the lift in new home building," said Dr Harley Dale, HIA Chief Economist.

"We have yet to see the full impact that the three consecutive rate increases at the end of 2009 will exert, so there was no burning need to hike rates a fourth time in five months today. There is certainly no justification for banks to lift their mortgage or business rates independently of the RBA's decision.

"Raising interest rates too quickly runs the risk of choking off a much needed new home building recovery that extends beyond first time buyers and social housing provision.

"The First Home Owner Boost and the Social Housing Initiative (SHI) will combine to deliver decent growth in new home starts this year for the first time since 2002.

"There is no evidence, however, of a decent recovery in upgrade owner occupiers and investors entering the new home market to fill the void that will increasingly be left by the withdrawal of first home buyers and the SHI.

"Without further, strong growth in residential construction through 2011 and 2012, Australia's shortage of housing stock will become even more acute. That situation would deliver undue upward pressure on rents and on existing home values, precisely the opposite outcome to what is desired," said Harley Dale.

For further information:

Harley Dale, Chief Economist 0414 994 186

