

No Further Evidence Required for RBA

New Home Sales got off to a poor start in the 2008/09 financial year.

HIA, Australia's largest building industry association, said there can be no further delay in respect to a drop in the official cash rate. A slowing economy as seen by declining residential construction activity highlights the absolute need for the RBA to lower the official cash rate this Tuesday.

HIA Chief Economist, Harley Dale said new home sales dropped by 7.2 per cent in July 2008, reinforcing industry evidence that home building conditions hit the wall in early July.

"Budgeted sales levels are well down on expectations and that runs the clear risk of the next step being a shedding of labour in the industry," said Mr Dale.

HIA's New Home Sales Report showed a 7.5 per cent dip in detached house sales in July. Multi-unit sales fell by 5.2 per cent. The weak result reflects a final bout of mortgage rate increases clashing with sharply higher fuel and food bills.

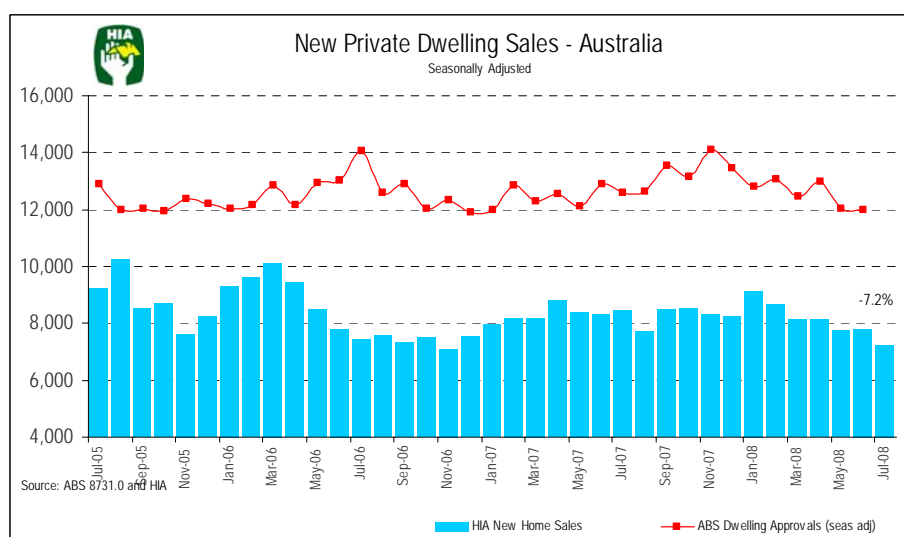
"What is a very weak update on sales volumes reinforces industry feedback which at the time pointed to an abrupt halt to new home enquiries and activity in early July," Mr Dale said.

"The imminent move to lower interest rates is a welcome first step to a much needed home building recovery, but the delay to a tangible boost to construction activity will be significant," said Mr Dale.

"In the interim, embedded statutory taxes and charges continue to heavily discriminate against new residential development, a decidedly unhelpful state of affairs at a high risk time for employment in the home building industry," added Mr Dale.

In the month of July new home sales fell by 24.5 per cent in Western Australia and sales were down by 11.7 per cent in New South Wales, 11.2 per cent in South Australia, and 7.2 per cent in Victoria. Sales increased by 13.4 per cent in Queensland, the first rise in six months.

HIA's New Home Sales Survey is compiled from a sample of the largest 100 residential builders in Australia and is the first indicator of new home building activity released each month.



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***For a full copy of the New Home Sales Report (media only) or for an annual subscription, please contact Kirsten Lewis on (02) 6245 1393 or k.lewis@hia.com.au