

28 July 2010

## Inflation in Check in Mid 2010

The consumer price inflation update for the June 2010 quarter clearly supports interest rates remaining on hold next week, says the Housing Industry Association (HIA), the voice of Australia's residential building industry.

"The June 2010 quarter update for the Consumer Price Index (CPI) came in lower than market expectations and offers no evidence of inflationary pressures getting out of hand," said HIA Chief Economist, Dr Harley Dale.

"There is no need for a further rate hike to be announced next week or indeed at any time through the remainder of this year."

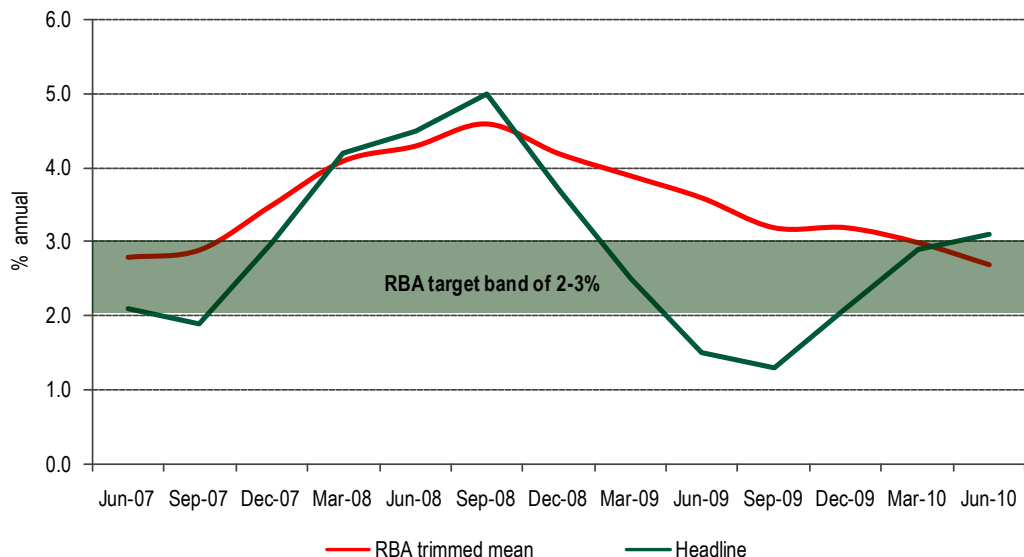
"It is appropriate that rates are kept on hold in light of mounting evidence that the new home building recovery will run out of steam and on-going uncertainty regarding the post-stimulus trajectory of the domestic economy."

The headline Consumer Price Index increased by 0.6 per cent over the June 2010 quarter, compared to a market expectation for a 1 per cent rise. The annual rate was 3.1 per cent. The Reserve Bank of Australia's preferred, 'trimmed mean' measure increased by 0.5 per cent over the June quarter compared to a market expectation for a 0.8 per cent rise. The annual rate for this trimmed mean measure was 2.7 per cent, the lowest rate in three years.

"The burning issue for the housing industry is the need to reduce the myriad of supply side obstacles to new housing supply, including finding a better model for funding Australia's urban residential infrastructure," Harley Dale said.

### Consumer Price Index

Source: ABS 6401; Reserve Bank of Australia



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