

Interest Rate Rise Push Premature

A moderately higher than expected consumer price index result does not provide an excuse for the RBA to rush ahead with a large interest rate hike next week, claimed the Housing Industry Association (HIA), Australia's largest building industry organisation.

"Such a result is hardly a sign of inflation running out of control. Large interest rate hikes should be viewed as both unnecessary and dangerous and will likely dampen the much needed housing recovery, especially rental investment, across the country," commented Ben Phillips, HIA Senior Economist.

The consumer price index increased by 1 per cent over the September 2009 quarter, to be just 1.3 per cent ahead of the same period 12 months ago. The RBA's preferred "underlying" measures increased by 0.8 per cent over the September quarter to be on average 3.5 per cent higher than a year ago.

The vast majority of the increase in the headline consumer price movement was a strong jump in the interest rate insensitive energy sector. Housing also moved further north, with housing rents continuing to grow in September and house purchase of new dwellings jumping by 1.1 per cent over the quarter.

"Supply side constraints are continuing to place undue pressure on housing rents and home values, especially but not solely in Australia's capital cities. Reducing the obstacles to boosting Australia's housing supply is a fundamental policy challenge," said Ben Phillips.

"In this regard we welcome the Prime Minister's announcement regarding forging a partnership between Federal and state/territory government levels for the funding and management of housing and infrastructure in Australia's major population centres," added Mr Phillips.

For further information:

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