

26 April, 2006

NO JUSTIFICATION FOR RATE HIKE SAYS HIA

Inflation was higher in the March quarter this year, a result widely anticipated given seasonal factors and the strength of energy prices. Nevertheless the overall profile for the Consumer Price Index provides strong justification for interest rates remaining on hold.

Inflation figures released today for the March 2006 quarter showed a 0.9 per cent increase in headline CPI, taking the annual rate from 2.8 per cent to 3.0 per cent, at the top of but not above the RBA's target band. Annual growth for CPI ex volatile items, the more relevant measure, eased from 2.3 per cent to 2.2 per cent and hence remained well below the top of the target band.

Australia's peak building industry body, HIA, said that underlying inflation pressures remained well in check.

HIA's Chief Economist, Mr Harley Dale, said that while headline inflation did hit the top of the target band, today's update was not a concern.

"Seasonal factors and high energy prices exerted upward pressure on inflation, but the important core price measures actually eased in early 2006," Mr Dale said.

"There is nothing in today's inflation update to justify an increase in interest rates," Mr Dale said.

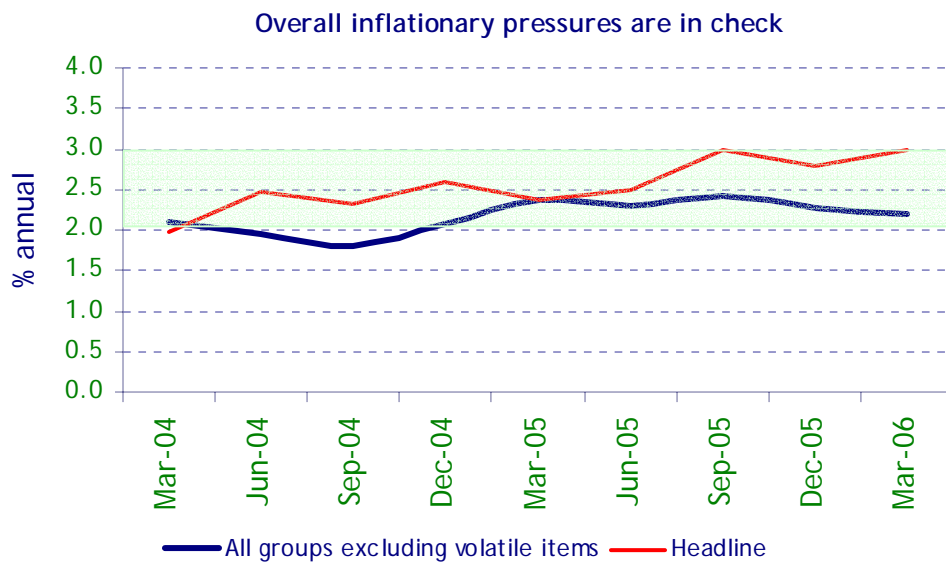
"Overall inflationary pressures from housing are easing, a reflection of softer housing conditions."

"Within the industry rental pressure is intensifying, something the CPI is only now beginning to highlight in earnest. That reflects very low housing affordability contributing towards very tight rental markets."

"The household sector is under the pump in terms of low housing affordability, high levels of debt, and higher energy costs. At the same time underlying measures of inflation remain benign," Mr Dale said.

"That combination clearly spells rates on hold," Mr Dale added.

On a city by city basis, annual headline inflation was 2.7 per cent in Sydney, 2.8 per cent in Melbourne, 2.9 per cent in Brisbane, 3.1 per cent in Adelaide, 4.2 per cent in Perth, 2.8 per cent in Hobart, 3.4 per cent in Darwin, and 3.5 per cent in Canberra.



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