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HOUSING BOLSTERS ECONOMY

Housing activity has turned in an impressive performance in the June quarter, contributing 0.2 percentage points to Australia's growth rate.

Gross Domestic Product grew by a strong 1.3 percent in the June 2005 quarter, taking annual growth to 2.6 per cent. This is the strongest growth seen since the September quarter last year, although the pace remains well down on the average growth rate for the last twenty years of 3.5 per cent.

Australia's peak building industry body, HIA, said that solid growth in housing activity for the quarter provided strong vindication of the 'soft landing' scenario for the housing industry.

HIA's Senior Economist, Mr Harley Dale, said investment in housing was only slightly lower than a year earlier.

"Both new housing and renovations posted growth in the quarter, the first positive outcomes for a year," Mr Dale said.

"Throughout the correction to housing activity there has remained an extremely large amount of work in the pipeline. This is now feeding through to boost housing activity and will play a big role in ensuring any cooling in housing in the second half of the year will be moderate," Mr Dale added.

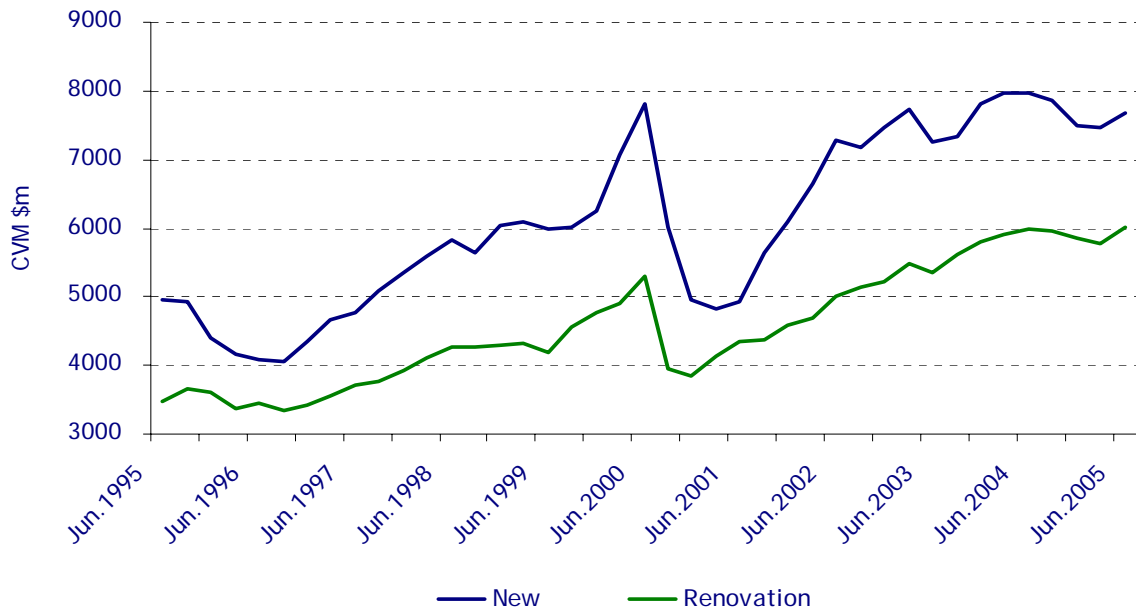
Expenditure on new and established houses grew by 2.8 per cent to just under \$7.7 billion. Expenditure on alterations and additions rose by 4 per cent to just over \$6 billion. Total housing investment was only 1.9 per cent lower than in the June quarter last year.

The importance of the housing industry to the Australian economy is readily apparent when even in an overall climate of cooling activity and flattening house prices the industry still posts a solid positive quarter.

"Total housing investment eased back by only 0.6 per cent in 2004/05. We anticipate a larger fall this financial year but it will still be far less savage than what we have witnessed in many previous cycles," Mr Dale said.

"In this regard the strong end to last financial year for housing is very encouraging," Mr Dale added.

Housing Investment in Australia



FURTHER INFORMATION

Please contact Harley Dale, Senior Economist on 0414 994 186

Website: <http://economics.hia.asn.au>