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ECONOMY MOUNTS MODEST RECOVERY

The Australian economy recovered from the weak end to 2004, but not to any spectacular extent.

Gross Domestic Product grew by a respectable 0.7 percent in the March 2005 quarter, taking annual growth to 1.9 per cent from the 1.5 per cent rate for the end of last year. This compares to average growth over the last twenty years of 3.5 per cent.

Housing activity declined modestly for the third consecutive quarter.

Australia's peak building industry body, HIA, said that an orderly correction to housing activity was underway.

HIA's Senior Economist, Mr Harley Dale, said that it has been apparent for a good eighteen months now that housing would peak and subsequently pull back.

"It is encouraging to see that this process is occurring in an orderly manner consistent with a 'soft landing' for the housing industry," Mr Dale said.

Expenditure on new and established houses eased back by 0.4 per cent to just under \$7 billion. Expenditure on alterations and additions declined by 0.6 per cent to \$5.4 billion.

Even in cooling times the housing industry continues to be a positive factor for the Australian economy, contributing nearly 7 per cent to annual economic growth.

"For the economy overall it is good to see some improvement in growth, but the economy is still growing well below trend," Mr Dale added.

"We are in a situation where there is clear evidence of an easing in housing activity and trade contractor prices, relatively stable house prices, and an on-going moderation in household credit growth. We have also had a poor start to the second quarter for retail sales."

"In this kind of environment, even allowing for some concern over wage pressures, it is difficult to see the need for contemplation of a further interest rate rise this year."

FURTHER INFORMATION

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