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HOUSING INVESTMENT STARTS 2006 ON WEAKER NOTE

The growth pace of the Australian economy improved in the March 2006 quarter, although the decline in housing investment continued.

Gross Domestic Product grew by 0.9 percent in the March 2006 quarter, taking annual growth to 3.1 per cent from an upwardly revised 2.9 per cent in the December quarter last year.

Australia's peak building industry body, HIA, said that the economy had gathered further momentum in the first quarter of 2006, but was still growing below the average for the current economic expansion.

HIA's Chief Economist, Mr Harley Dale, said that within the aggregate result, housing investment continued to slow.

"Housing activity in March declined for the seventh time in the last eight quarters," Mr Dale said.

Expenditure on new and established houses fell by 2.4 per cent to \$7.1 billion. Expenditure on alterations and additions fell by 2.5 per cent to nearly \$6.3 billion. Total housing investment was down by a moderate 2.5 per cent, 2.3 per cent lower than the March 2005 quarter.

"At a national level the pull-back is relatively mild still, due to resource rich areas of Australia enjoying strong housing activity, but the divergences within the national story are stark," Mr Dale said.

"Housing investment in New South Wales, for example, is looking increasingly soft and was 10.5 per cent lower than in the March quarter last year, due mainly to the very weak state of the Sydney residential market," Mr Dale added.

"A higher and more uncertain interest rate climate in 2006 will exacerbate the situation in Sydney and runs the risk of extending and deepening the national downturn in housing," Mr Dale said.

"The housing industry, even while enduring softer conditions, is still worth over 6 per cent of GDP, although this share is the lowest it has been since the end of 2001," Mr Dale added.

FURTHER INFORMATION

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