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## RBA concedes rates too high

In a slowing economy, the RBA's decision not to lower official interest rates is disappointing.

HIA, Managing Director, Dr Ron Silberberg said, the economy had been slowed too fast and there was now a need to lower rates to ensure an increase in economic and investment activity.

"In many respects previous rate rises had little to do with consumer spending in Australia, but were a response to growing commodity and cost of living pressures. Previous rate rises hurt those who could least afford it and have certainly put upward pressure on unemployment," said Ron Silberberg.

Unfortunately there is no guarantee that retail lending rates would fall inline with a potential drop in official interest rates. HIA has renewed calls for an assessment of the issuing of a new full banking license along with revisions to regulations regarding mergers and acquisitions for Australian banks.

"Consumers need to be satisfied that there is effective competition in the Australian banking sector," Ron Silberberg said.

A report from PriceWaterhouseCoopers (PWC) earlier in the year found that Australian banks have the second highest return on equity in the world, posting a record \$5.4 billion in profits in the March half year.

"If the RBA can't ensure that banks follow suit with rate reductions when set, then more competition in the banking sector may be necessary. Who can remember the last time a full banking license was issued in Australia?" he said.

HIA research shows that Australia requires 190,000 new dwellings in 2008-2009 and almost a million new homes in five years to meet demand.

"Clearly investment in new housing, infrastructure and business is not going to occur in Australia when the cost of capital is so much higher than other investment centres." said Ron Silberberg.

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