

Rate Rise Big Risk

Today's increase in the official cash rate will do nothing to alleviate the chronic undersupply of new housing in Australia, claimed the Housing Industry Association (HIA).

"There is a big risk that the increase in official rates will blunt consumer and business confidence that is crucial to the prospects for an economic recovery," commented Dr Harley Dale, HIA Chief Economist.

"Although there are some encouraging signs the economy has avoided falling off a cliff, it is still far too early to call an economic recovery.

"Indeed, it was not that long ago we were told that Australia faced the worst economic conditions since the Great Depression. Either that assessment was a dramatic overstatement or the Reserve Bank has miscalculated.

"To date, the initial pick-up in new housing activity has been influenced by the combination of lower interest rates and the First Home Owners' Boost. Now these key drivers are in reverse.

"The increase in the official cash rate will hamper recovery in rental investment, which has been a missing ingredient for a more broadly-based recovery in housing activity," said Harley Dale.

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