

SLOW HOME SALES MAGNIFY RATE CONCERNS

There is further evidence today that more heat has come out of Australia's new home market, raising greater concerns over the effect of higher interest rates.

HIA New Home Sales figures released today showed that sales have failed to bounce back in January following the weak December result, with sales of houses and units falling 4.5 per cent to 7,683 over the month, the lowest level in over 4 years.

Australia's peak building industry body, HIA, said the fall was consistent across both new houses (down 1.5 per cent to 6,714 sales) and multi-units (down 21.2 per cent to 968 sales) as buyers continue to remain cautious and patient.

HIA's Chief Economist, Mr Simon Tennent, said that the expected bounce in January simply didn't happen, making the probable rate rise this week more of a concern.

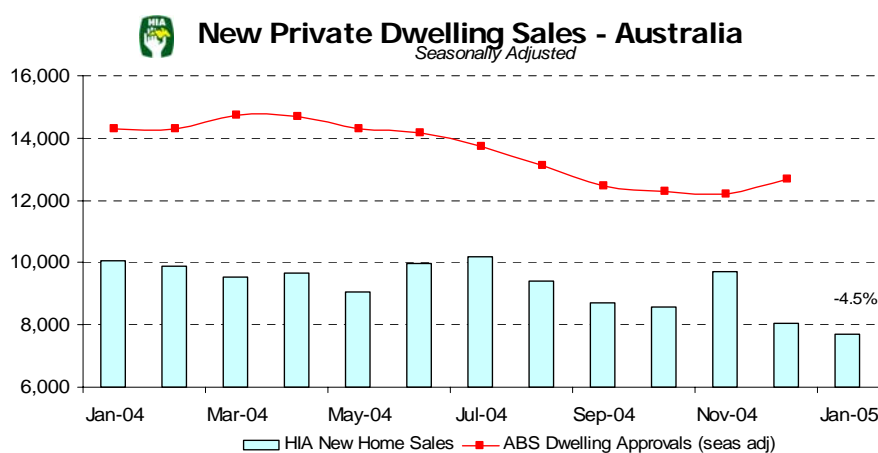
"While the common belief is that the household sector can bear a couple of modest rises, for the new housing industry the signs are clear," Mr Tennent said.

"With sales, approvals and lending for the home construction sector all well down on the peaks of last year, the strong language from the Reserve Bank and expected rate rises will see further falls in new home building throughout the rest of the year," he added.

"For construction employment, this slowing will bite hardest among sales and administrative staff as well as other associated property services occupations – sectors which are already under significant pressure with the dramatic drop in volumes over the past 6 months."

"High levels of household debt have created an environment in which households are extremely sensitive to interest rate rises. It has therefore never been more important to allow rate rises to run their course before considering further adjustments to monetary policy," he added

HIA's New Home Sales Survey is compiled from a sample of the largest 100 residential builders in Australia and is the most leading indicator on new housing activity.



Source: ABS 87310 and HIA

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