

14 April 2010



ABS Confirms Late 2009 Dip in New Home Building

The Housing Industry Association, the voice of Australia's home building industry, said ABS figures today confirmed the disappointing outcome that new residential building work done fell in the December 2009 quarter.

HIA Chief Economist, Dr Harley Dale said that a 2.5 per cent fall in seasonally adjusted new residential work done at the end of last year, revised from an initial 3.9 per cent decline, confirmed the prospect that skilled labour shortages may have already been having a constraining impact on new home building activity at the end of 2009.

"The stimulus-driven first stage new home building recovery will be reflected in growth in new residential building work done in both the 2009/10 financial year and the 2010 calendar year.

"However, the quarterly decline in new home building activity in December 2009 is a reminder of the importance of ensuring sufficient skilled labour is available to keep the wheels of recovery turning over the course of 2010," Harley Dale said.

"The second consecutive rise in the volume of work done on major alterations and additions, reflected in growth of 2.6 per cent in the December 2009 quarter, is expected to be followed by further positive updates through 2010.

"Amidst improving labour market conditions, further home price gains, and less sensitivity to rising interest rates, the outlook for total renovations activity is quite bright.

"The concern rests with new home building and the prospects for a second stage, post-stimulus recovery. Recent updates have highlighted falling new home lending, sluggish housing credit growth, and a loss of momentum in building approvals and new home sales.

"That's not good news for a sustainable new home building recovery and highlights the need for a cautious approach to interest rates," Harley Dale said.

In the December 2009 quarter seasonally adjusted new residential work done fell in every state and territory with the exception of Queensland and the Australian Capital Territory. New residential work done fell by 5.3 per cent in New South Wales, 3.3 per cent in Victoria, 4.8 per cent in South Australia, 2.4 per cent in Western Australia, and 1.6 per cent in Tasmania. New residential work done increased by 1.5 per cent in Queensland and by 14 per cent in the ACT.

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