

SOFT HOUSE APPROVALS SUPPORT STEADY RATES

Today's fall in house approvals provides a timely reminder that steady interest rates need to remain the status quo.

According to the Australian Bureau of Statistics, approvals increased by 1.8 per cent in September but were down by 6.4 per cent on a year earlier. Approvals for apartments saved the day with this highly volatile component rising by 15.5 per cent. Detached house approvals fell by 3.2 per cent following a 4.9 per cent drop in August.

Australia's peak building industry body, HIA, said that approvals continued to point to a moderate correction to housing activity in 2005/06 and into 2006/07.

HIA's Senior Economist, Harley Dale said that while a second consecutive fall in detached house approvals was disappointing, the orderly and relatively moderate pull-back in housing activity was set to continue.

"Approvals fell by over 11 per cent in the September quarter and the industry will slow further over the next twelve to eighteen months," Mr Dale said.

"There is nothing in today's update to set alarm bells ringing. That having been said, in an environment of lower consumer confidence, high oil prices, and a slowing labour market, steady interest rates is the vital ingredient to ensure those bells don't go off," he added.

"Across the country September was a stronger month for New South Wales, Victoria, Queensland, Tasmania, and the Northern Territory, but for the quarter approvals were down everywhere except South Australia and the Northern Territory," Mr Dale said.

For September, dwelling approvals increased in New South Wales, up 8.9 per cent, the Northern Territory, up 8.3 per cent, Tasmania, up 7.6 per cent, Victoria, up 5.8 per cent, and Queensland, up 4.9 per cent. Approvals were down by 4.5 per cent in South Australia, 6.1 per cent in the Australian Capital Territory, and 9.9 per cent in Western Australia.

FURTHER INFORMATION

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Website: <http://economics.hia.asn.au>