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HOME BUILDING ACTIVITY FALLS FURTHER

The level of residential building activity moderated further at the end of 2005, while an encouraging update on the wages front added further ballast to the case for interest rates remaining on hold.

Figures released today show that the value of residential building activity declined by 4.9 per cent in the December 2005 quarter, the sharpest fall of the cycle, to a level of \$8.52 billion.

The value of new building work done fell by 5.8 per cent to \$7.13 billion, reflecting an 8.7 per cent drop in apartment building activity and a 4.4 per cent decline in detached house building. Alterations and additions activity, not a measure of the entire renovations industry, eased by a bare 0.1 per cent to \$1.39 billion.

Australia's peak building industry body, HIA, said that an easing in the residential work pipeline was flowing through into lower levels of housing activity.

HIA's Chief Economist, Mr Harley Dale, said that housing activity would continue to moderate throughout 2006.

"Expenditure on housing will continue to fall, but leading indicators still point to an easing rather than tanking in building activity," Mr Dale said.

"At the same time the household sector remains far more cautious when it comes to spending decisions made regarding housing than was apparent during the boom times," Mr Dale added.

"We also had an update on wages growth today and that did not suggest any acceleration at the end of last year, plus a slowing labour market will ease pressure on wages this year."

"That clearly supports a continuation of stable interest rates which would ensure that the pull-back in housing continues to be moderate and that over time we see more certainty return on the part of households."

Across the country, residential building activity fell by 21 per cent in Tasmania and was down by 19 per cent in the Australian Capital Territory, 9 per cent in New South Wales, 5 per cent in South Australia, 4 per cent in Victoria, and 3 per cent in Queensland. Total building activity increased by 8 per cent in the Northern Territory and residential activity rose by 4 per cent in Western Australia.

FURTHER INFORMATION: Please contact:
Harley Dale, HIA Chief Economist on 0414 994 186.
<http://economics.hia.asn.au>