

11 July, 2006

NO JUSTIFICATION FOR ANOTHER RATE RISE

Despite a solid month in home lending, the long awaited recovery in home building remains under threat from further interest rate increases.

Housing Finance for May, released today, showed a 4.7 per cent increase in total lending for owner occupation to 62,768 loans. Loans for the construction of a dwelling rose by 1.2 per cent to 4,480 loans, while loans for a recently completed home rose 5.6 per cent to 2,947. In the established home market, loans rose by 5.0 per cent to 55,341.

Australia's peak housing body, the Housing Industry Association (HIA), said that the bounce in the numbers must be treated with caution as heightened anxiety over interest rates during the month saw a 4.5 per cent increase in households refinancing existing loans.

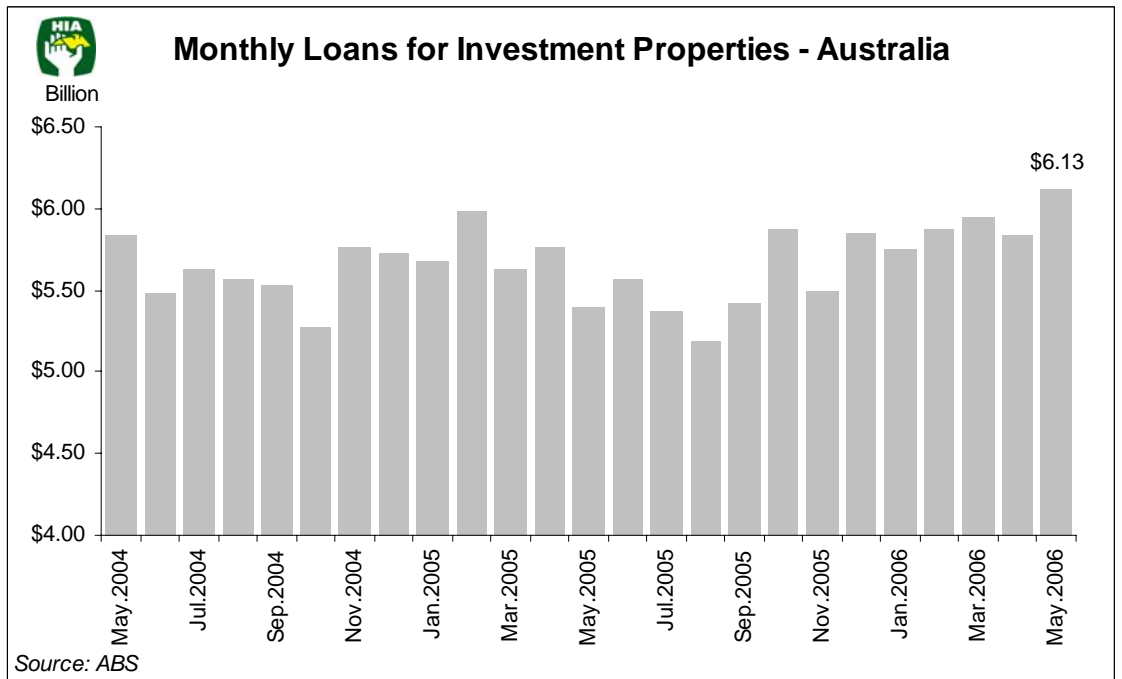
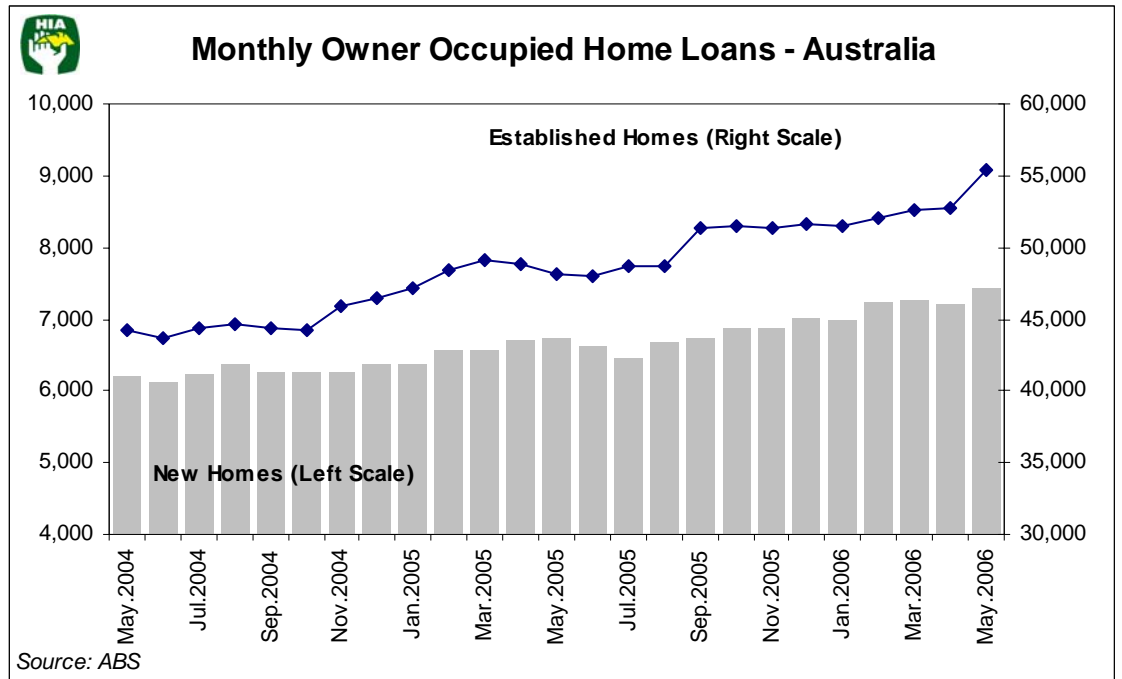
Furthermore the tentative recovery in new home building is still lacking pace with the trend in loans for new dwelling construction still falling, down 0.2 per cent in May.

HIA's Executive Director Housing and Economics, Mr Simon Tennent, said that today's numbers will no doubt come under the scrutiny of the Reserve Bank but it's still early days as the economy is yet to fully absorb the effect of the May rate rise.

"For Australia's \$60 billion residential building industry, yesterday's HIA Winter Market Snapshot report clearly showed the lack of urgency among buyers over the month of June with builders in many states concerned about another rate rise," Mr Tennent said.

Increases in the number of owner occupied housing commitments (seasonally adjusted) in May 2006 compared with April 2006 were recorded in Victoria (up 7.9%), South Australia (up 6.1%), Queensland (up 4.4%), ACT (up 4.1%), New South Wales (up 2.0%) and Western Australia (up 0.8 per cent). Decreases were recorded in Northern Territory (down 5.1%) and Tasmania (down 1.1%).

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Further Information

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