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MEDIA RELEASE

Banks Must Remain In Synch with RBA

Today's decision by the Reserve Bank Board to raise interest rates strikes a further blow against an already deteriorating housing market, says the Housing Industry Association (HIA), the voice of Australia's residential building industry.

"The attention of hundreds of thousands of Australian households will now be on Australia's trading banks over the next week or so, holding their breath that the banks don't make an unjustifiable decision to hike rates more than the Reserve Bank did," said HIA Chief Economist, Dr Harley Dale.

"As it stands, today's 25 basis point hike by the RBA will hit the housing industry hard. There was time to hold off without Australia dying in an inflationary ditch, especially given that utilities played a major role in the latest inflation outcome which in itself provided a proxy tightening for Australian households," Harley Dale said.

"There is compelling evidence that the recovery in residential construction will not be sustained. All leading indicators suggest that new housing activity is fast losing momentum, and now the outlook for investment in renovations is also looking less than impressive."

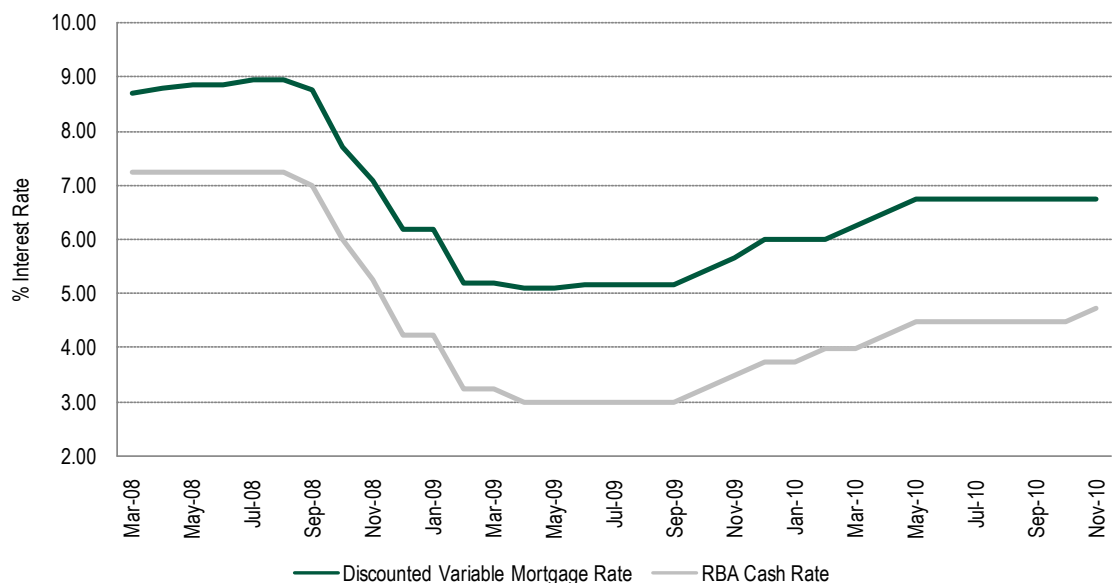
"Furthermore, news from HIA members is that housing conditions in the majority of states are deteriorating markedly."

"In such an environment it is absolutely imperative that Australia's trading banks remain in synch with the RBA's cash rate increase," Harley Dale said.

Today's 25 basis point increase in interest rates will add around \$50 per month to the repayments on a \$300,000 mortgage.

Interest Rates, Australia

Source: RBA



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