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MEDIA RELEASE

Poor Approvals Compound Rate Rise Worries

ABS Building Approvals fell for a sixth consecutive month in September 2010, which highlights the deteriorating outlook for residential building in Australia, said the Housing Industry Association, the voice of Australia's residential building industry.

HIA Senior Economist, Andrew Harvey, said that total building approvals fell by 6.6 per cent in September 2010 to be down by 9.1 per cent over the three months to September.

"Today's weak approvals numbers, which include a marked 15.7 per cent monthly fall in approvals for private sector other dwellings, reaffirms that we are facing a considerable slow-down in building starts," said Andrew Harvey.

"The weak housing outlook is compounded by yesterday's interest rate hike by the Reserve Bank which, due to the additional independent 20 basis point increase by the Commonwealth Bank, will act like a sledgehammer on confidence and economic activity in the non-resource sectors," added Mr Harvey.

"This total 45 basis point increase in home-lending rates will seriously dent new home demand and confidence, and is worrying as it follows the removal of the First Home Owners Boost and the impact of previous rate hikes. Indeed, it appears that we have a near perfect storm of poor conditions for the house-building market at the very time a sustainable boost to Australia's housing supply is needed to allow a balanced economic recovery," Andrew Harvey stated.

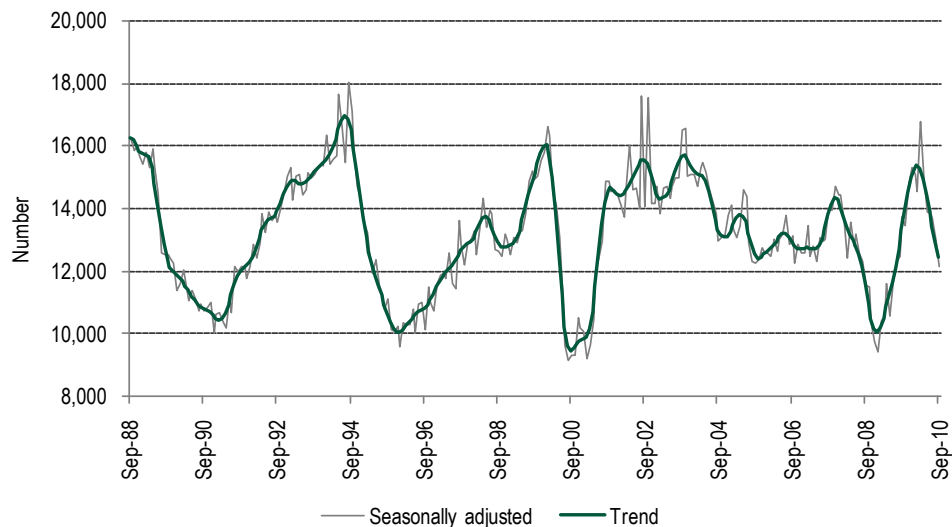
"The Commonwealth Bank's additional increase in rates is a move that should see our major banks come under intense policy scrutiny. When Treasurer Swan delivers his promised banking competition reforms he needs to shepherd in bank switching mechanisms that would allow consumers to effortlessly change between lending institutions in response to moves such as that by the Commonwealth Bank. This would put home loans on an equivalent footing to products such as mobile phones, credit cards and superannuation," added Mr Harvey.

"This is something that Australian taxpayers, who continue to act as guarantor for the four major banks, are more than entitled to expect," Andrew Harvey said.

Seasonally adjusted building approvals in September 2010 were weighed down heavily by a 24.9 per cent drop in South Australia. There were also declines in Victoria (down by 10.0 per cent), Queensland (down by 2.3 per cent), Western Australia (down by 2.0 per cent) and NSW (down by 1.5 per cent). In trend terms approvals fell by 10.4 per cent in the Australian Capital Territory and by 2.1 per cent in the Northern Territory. Tasmanian approvals rose by 1.0 per cent in seasonally adjusted terms.

Building Approvals - Australia

Source: ABS 8731



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