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No Need for Near-term Rate Hike, claims HIA

There is no justification for an interest rate hike next week, claims the Housing Industry Association (HIA), the voice of Australia's home building industry.

"The presumption that a clinical, narrow focus on hiking interest rates is the right course of action is inappropriate in the post-GFC environment," said HIA Chief Economist, Dr Harley Dale.

"Australia's economic growth reflects a range of sectoral pulse rates at present and the idea that Australia will somehow fall in a ditch if short term action is not taken by the RBA to address potential pressures in one sector is nonsense," said Harley Dale.

"The weather-distorted March quarter is well behind us, but partial indicators for the June quarter are so far weighted towards negative updates," Harley Dale said.

"On top of this the global economy continues to wobble, while at home the debilitating impact of the credit crunch tends to be underestimated."

"Furthermore, the sensitivity and vulnerability of the household, manufacturing, and services sectors to a further lift in interest rates goes way beyond the simplicity of the tangible negative impact from a hike. Anybody who can't grasp that fact needs to consider getting out more."

"Australia sits in a different position to other OECD countries and stands out as already having undertaken a considerable tightening of interest rates. Further lifting of interest rates now would be an ill-conceived gamble and the appropriate course of action is to leave rates on hold," added Harley Dale.

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