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Housing Detracts From GDP Growth

Today's National Accounts figures show that expenditure on new housing, and on alterations and additions, fell in the September quarter of 2010, said the Housing Industry Association, the voice of Australia's residential building industry.

HIA Senior Economist, Andrew Harvey, said that the outcome was not unexpected and due largely to the lagged effects of earlier interest rate hikes and the unwinding of fiscal stimulus.

"Total expenditure on housing and renovations detracted from GDP growth this quarter, which is no surprise given that new home lending and approvals have been trending downwards for some time now," said Andrew Harvey.

"And given the backdrop of rising interest rates and the tighter credit conditions now facing builders, new housing construction is not going to excite anyone anytime soon, and unfortunately expenditure on renovations also looks to now be taking a hit as well," Mr Harvey noted.

New housing expenditure fell by 1.3 per cent in the September quarter, and expenditure on alterations and additions fell by 2.5 per cent, with total dwelling expenditure making a negative contribution to growth of 0.1 percentage points.

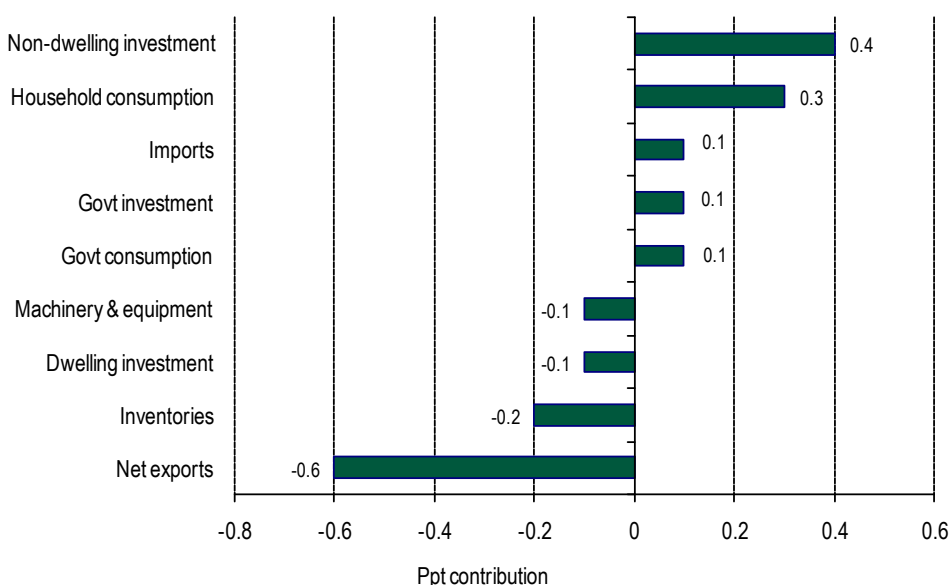
"In terms of the broader economy, although it is hoped the weak September quarter GDP growth is just a pothole, it is worrying that we are still seeing plant and equipment investment detracting from growth," Andrew Harvey said.

"While there has been a lot of talk that we may be on the verge of a substantial upswing in business investment, there is no certainty as to when this will unfold, and until it does it is hard to be convinced about the prospect of a changeover from public sector stimulus to private sector activity as the growth engine of the Australian economy," added Mr Harvey.

GDP grew by just 0.2 per cent in the September quarter (following a downwardly revised 1.1 per cent for the June quarter) to be 2.7 per cent up on 12 months ago. That the September GDP growth figure was positive at all owes much to a positive contribution from non-dwelling investment (0.4 percentage points) and household consumption (0.3 percentage points).

Contribution to GDP - September 2010 quarter

Source: ABS 5206



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