MEDIA RELEASE

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Clear Rate Message Important, says HIA

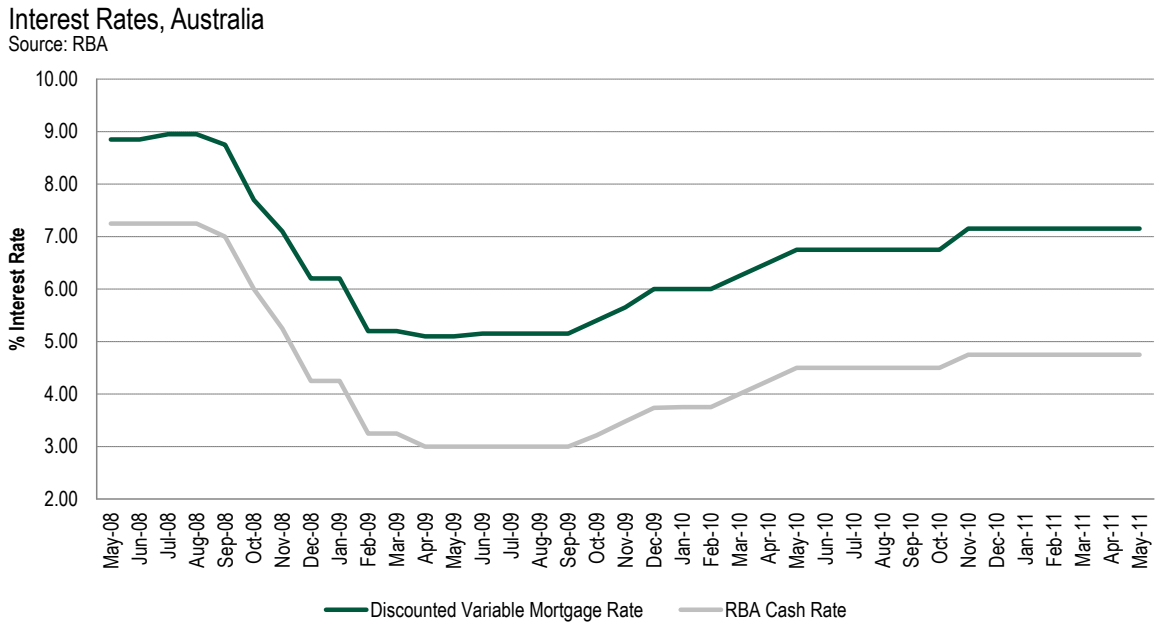
The Reserve Bank Board today decided to keep the official cash rate on hold for the fifth meeting in a row, providing good news amidst an on-going deterioration in housing conditions, says the Housing Industry Association (HIA), the voice of Australia's residential building industry.

"New home building activity is heading south and will be substantially weaker this year compared to last, and that's with interest rates where they are," said HIA Chief Economist, Dr Harley Dale.

"Rates on hold marked a good and appropriate decision today despite recent hyped-up calls from some quarters for a near term hike," Harley Dale said.

"There has nevertheless been a slight hardening of the rhetoric in the RBA's statement accompanying today's decision. This development will likely be heavily scrutinised and generate varying views, which unfortunately will heighten uncertainty, dampen confidence, and reduce already declining housing activity," said Harley Dale.

"In February this year the RBA clearly outlined what they considered at the time to be the appropriate trajectory for interest rates in 2011. If that outlook has materially changed then an equally clear update from the RBA would considerably reduce on-going conjecture. In the current yawning divide between resource and non-resource sectors of the Australian economy, heightened interest rate conjecture serves no useful purpose," added Harley Dale.



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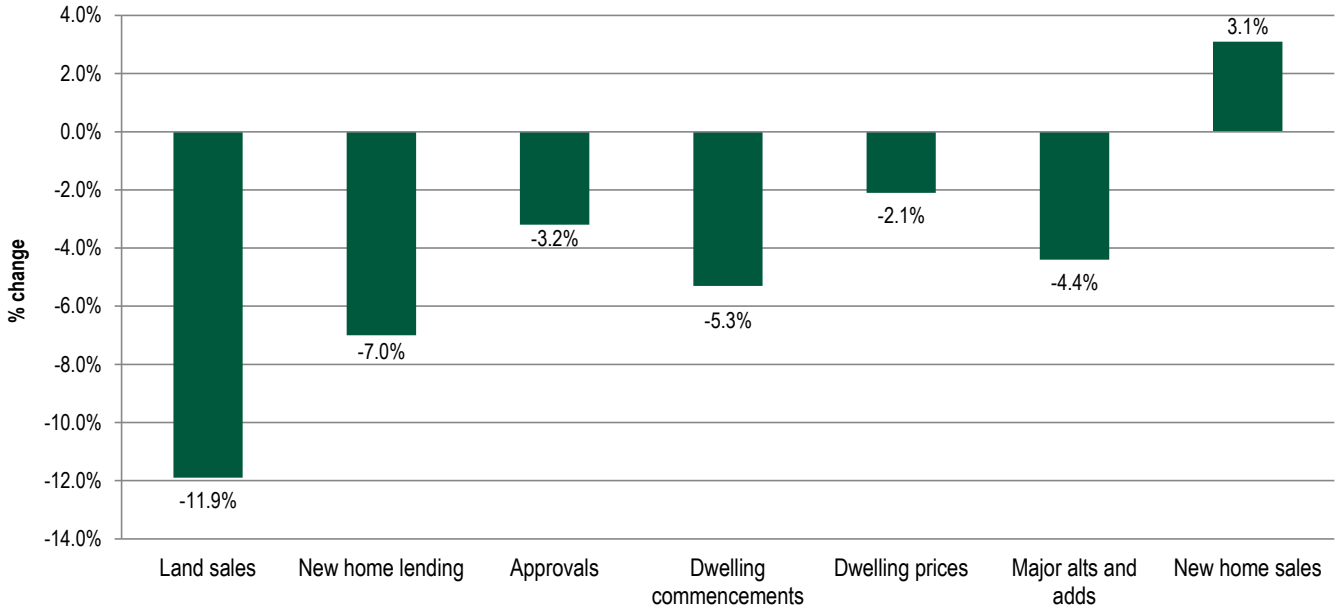
Source: ABS, HIA Economics Group, RP Data, Rismark International