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MEDIA RELEASE

3 April 2012

Rates on hold entirely the wrong call, says HIA

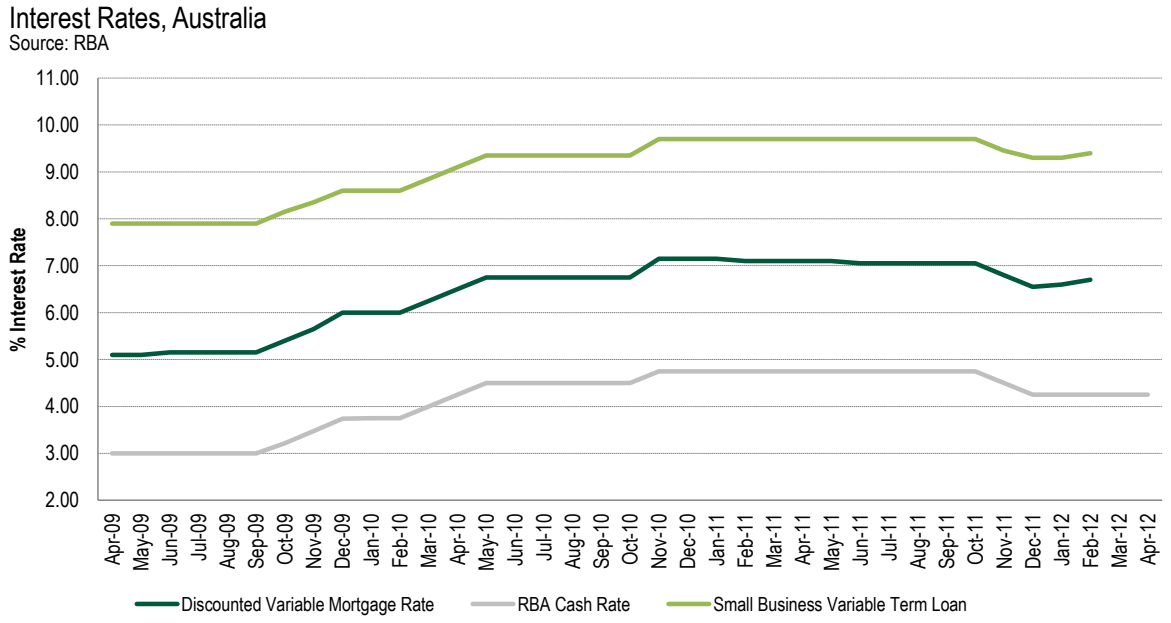
The Reserve Bank Board decided to keep interest rates on hold at 4.25 per cent in April, missing an important opportunity to lift consumer and business confidence, said the Housing Industry Association (HIA), the voice of Australia's residential building industry.

"Given the current global and domestic economic conditions a rate cut today would have been the appropriate call, but regrettably the Reserve Bank Board did not take that decision," said HIA Senior Economist, Andrew Harvey.

"There is still a high degree of uncertainty with regards to the global economy and, outside of mining and mining-related investment, there is very little driving the Australian economy. The December 2011 quarter GDP update was a weak one, in aggregate there has basically been zero employment growth over the past twelve months, consumer confidence is at low levels and households are highly cautious," said Mr Harvey.

"The sub-trend pace of growth in the domestic economy combines with the high Australian dollar to see manufacturing, tourism, non-resource exporters, and residential building doing it very tough at the moment. The expectation for a rate cut today had grown substantially over past weeks and with inflation well-contained there was ample room for the RBA to provide interest rate relief."

"HIA's view is that at some point in 2012 the Reserve Bank's hand is likely to be forced and rates will be cut, perhaps more than once. The sooner this happens the more quickly confidence and economic growth will lift to more respectable levels," added Mr Harvey.



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