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MEDIA RELEASE

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Weak Approvals Confirm Need for Stimulus

Building approvals fell for the third time in four months at the end of 2011, said the Housing Industry Association, the voice of Australia's residential building industry.

"Building approvals for both detached houses and 'other dwellings' are at very weak levels and now is the time to further lower interest rates and implement fiscal stimulus measures," said HIA Chief Economist, Dr Harley Dale.

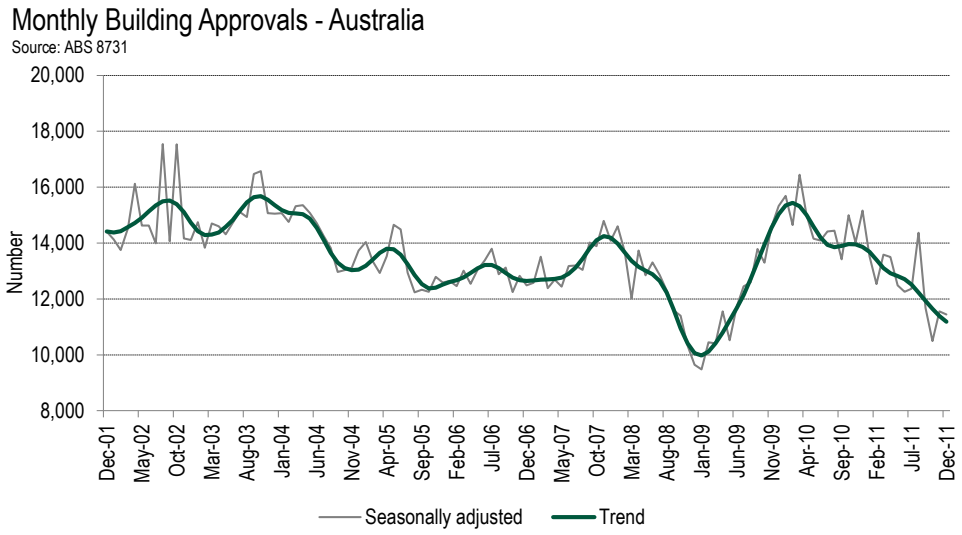
"Building approvals in late 2011 imply that housing starts will fall to a level below that experienced during the depth of the GFC, which would clearly be a very unhealthy outcome," said Harley Dale. "The new home building sector is a key indicator of the health of the domestic economy and has a significant multiplier effect in terms of output and employment."

"New housing activity doesn't need to fall further, that situation can be averted. Such aversion requires further interest rate cuts starting next week, full pass through of those rate cuts by the banks, and government measures to both stimulate new home building activity and reignite action to address the high and inefficient tax base which applies to new housing," added Harley Dale.

In the month of December 2011 total seasonally adjusted building approvals fell by 1.0 per cent to be 24.5 per cent lower than in December 2010. Detached house approvals were largely flat in December last year (easing by 0.2 per cent), while approvals for 'other dwellings' declined by 2.5 per cent.

Weakness in the month of December 2011 was not evident across the board, with total seasonally adjusted building approvals rising in Queensland (+24.6 per cent), Western Australia (+6.0 per cent), and Tasmania (+15.2 per cent). However, building approvals were down in New South Wales (-5.1 per cent), Victoria (-16.7 per cent), and South Australia (-9.1 per cent). The trend number of building approvals fell in the Northern Territory (-23.2 per cent) and the Australian Capital Territory (-4.9 per cent).

For the December 2011 quarter total building approvals were down by 12.8 per cent, reflecting a 27.0 per cent drop in other dwellings and a 3.5 per cent fall for detached houses. Approvals fell over the quarter in every state and territory.



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