



the voice of the industry

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MEDIA RELEASE

Weak GDP Result Highlights Risk of Current Policy Settings

Today's National Accounts figures show that dwelling investment detracted from GDP growth in the December 2011 quarter, and that the aggregate Australian economy is not as strong as recent statements from policy makers suggest, said the Housing Industry Association, the voice of Australia's residential building industry.

"Today's GDP result of 0.4 per cent growth for the December 2011 quarter was well below market expectations and not helped by a 0.2 percentage point deduction from economic growth by dwelling investment," said HIA Senior Economist Andrew Harvey.

"The disappointing December growth result is evidence that it is impossible to have a strong economy without a strong housing industry. It is not only a weak update for those in the residential building industry but should be of concern to those managing the broader economy," said Mr Harvey.

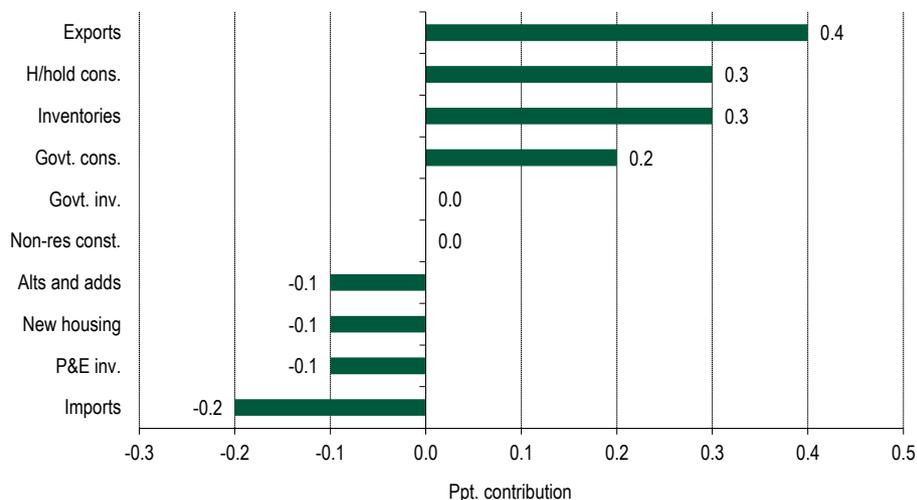
"Annual economic growth of 2.3 per cent is markedly below trend and raises concerns that the strategy of running the economy with a focus almost entirely on the resources sector is fraught with risk."

"Today's result confirms that interest rates remain too high and should place serious doubt over the Federal Government's strategy to rush back to budget surplus. While the Government should balance the budget over the economic cycle, the current fragile and uncertain economic environment is not one in which either fiscal or monetary policy should be restraining economic activity," notes Mr Harvey.

"It's time to broaden the focus of policy to put in place the strategies and reforms to ensure Australia's new housing is not over-taxed or constrained by the myriad of supply-side barriers that currently exist," added Mr Harvey.

New dwelling investment declined by 3.9 per cent in the December 2011 quarter to be down by 4.3 per cent over the year. Meanwhile, renovations investment was down by 3.8 per cent in the December 2011 quarter but up by 1.5 per cent over the year. Combined, these results mean that total dwelling investment was down by 3.9 per cent in the December 2011 quarter and down by 1.8 per cent over the year to the December 2011 quarter.

Contribution to Economic Growth - December 2011 Qtr
Source: ABS 5206



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