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MEDIA RELEASE

Housing downturn bites into GDP

“The decline in expenditure on residential building became a stronger headwind for economic growth in the final quarter of 2018,” said Geordan Murray, HIA Senior Economist.

Confirming expectations, figures released by the ABS today show that a decline in residential building activity detracted from GDP growth.

New home building activity fell by 3.6 per cent during the final quarter of 2018 while home renovation activity declined by 3.1 per cent. Despite the softening at the end of 2018, activity was still higher than in the same quarter a year earlier.

“Leading indicators of residential building activity gave fair warning that this result was coming. Sales of new residential lots, new home sales, building approvals and housing finance all deteriorated quite significantly during the latter stages of 2018,” said Geordan Murray.

“The tightening in the lending environment made life difficult for would-be buyers, while domestic and overseas investors had already retreated from the market.

“Despite the decline in activity during the latter half of 2018, there is a large amount of residential building work to be done on projects that are still under construction, but the pipeline of new projects is not as abundant as it once was.

“The softening in leading indicators suggests that as existing projects reach completion there will be fewer new projects starting.

“Over the next few years residential building is forecast to continue easing back from the record high levels achieved over the past couple of years and will continue to be a headwind for economic growth as this cycle unfolds.

“An orderly downturn will be dependent on the resilience of the broader economy. It is promising that public sector investment contributed to growth, but the household sector holds the key. Growth in household consumption continues to underwhelm.

“Today’s result shortens the odds that the next interest rate move will be a cut,” concluded Geordan Murray.

For further information please contact:

Geordan Murray, Senior Economist 0438 103 651

Tim Reardon, Chief Economist 0423 141 031

