

MEDIA RELEASE

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RBA RIGHT TO CALL OUT RISKS FROM SLIDING HOUSING ACTIVITY

The Reserve Bank of Australia (RBA) is right to put a spotlight on risks to the economy and housing affordability from a continued slide in construction, according to the Urban Development Institute of Australia (UDIA).

The RBA's Deputy Governor Guy Debelle has today used a speech to point to a 'sizeable downturn' across the housing construction sector.

"The alarm bells have been ringing for some time on the continued slide in housing approvals and construction," says Connie Kirk - UDIA's National Executive Director.

"The dual effects will be a drag on the economy that the RBA estimates could trim as much as one percent of the nation's GDP and a worsening story on affordability.

"We now face the prospect of supply softening at a time when access to credit begins to ease, demand lifts and in select market, prices return to an upward trajectory.

"Homebuyers who witnessed one cycle of escalating price rises a few years back now must wonder if the gap between supply and demand will again leave them locked out of the housing market.

"New housing construction is crucial to the nation's economic trajectory – providing jobs up and down the supply chain, as well as boosting wages and consumer confidence.

"We need a full-throated effort from all tiers of government to remove the impediments to housing construction.

"This includes more focus on removing the planning and regulatory barriers that stifle new projects, as well as the inefficient and inequitable taxes and charges imposed on new housing."

Media: Connie Kirk | 0412 244 988

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