

# Construction sector reels as sales of new homes tumble

# Bricks and slaughter

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## CONSTRUCTION

Stephen McMahon

NEW home sales in Victoria have collapsed, compounding the State Government's woes as it battles heavy job losses and a slowing stream of tax income.

Sales of new houses tumbled almost 20 per cent in January compared with the previous month and are floundering well below their levels a year ago, according to re-

search released yesterday.

Economists said the figures provided fresh evidence that despite consecutive interest rate cuts late last year, would-be home buyers remain reluctant to enter the property market.

The Victorian market pulled the rug from beneath the national house-building industry, with sales across the country diving 7.3 per cent to their lowest level in more than a decade.

Nationally, new home sales halved to less than

“Victoria for a long time propped up new home building in Australia and now the reverse is occurring

HARLEY DALE, HIA chief economist

4000 in January, from more than 9000 a year earlier, the Housing Industry Association report shows.

Association chief economist Harley Dale said: “Victoria for a long time propped up new home building in Australia and now the reverse is

occurring. There were also declines in detached house sales in NSW and South Australia in the first month of 2012, so the overall update is a weak one.”

Mr Dale said the Reserve Bank's two rate cuts in November and December

have not worked and the official cash rate should be lowered to 4 per cent to boost flagging household confidence. He conceded the central bank board was likely to “sit on its hands” next week.

Official figures released yesterday revealed the decline in the construction industry was not just confined to new homes.

Australia Bureau of Statistics figures showed the value of construction work carried out in the December

quarter fell 4.6 per cent — a steeper fall than economists had forecast. The value of construction work had soared 11.7 per cent in the previous three months.

Treasurer Wayne Swan said the fall in construction work in the three months to December was not surprising given the record performance in the previous quarter.

HSBC Australia chief economist Paul Bloxham echoed the Treasurer's comments, saying “some retreat is not too surprising”.



## Gerry to Julia: You're choking us

In a broadside at Canberra, retail heavyweight Gerry Harvey says it is not moribund consumer sentiment but red tape and politics that are bringing the sector to its knees.



# New home sales grind to a halt

NEW home sales in Victoria have collapsed, putting construction jobs in jeopardy as the State Government battles to stop unemployment rising.

Despite two consecutive interest rate cuts late last year, home buyers are reluctant to spend, with new home sales tumbling almost 20 per cent in January.

After almost two years of strong growth, Victoria was the worst performer as national home sales fell to their lowest level in 11 years.

The Housing Industry Association report shows national new home sales have halved from more than 9000 in January 2011 to less than 4000 last month. The decline in the construction industry was not just confined to new homes, with

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chief business reporter

data released by the Australian Bureau of Statistics yesterday showing construction work done in the December quarter fell by a larger-than-expected 4.6 per cent, after soaring by 11.7 per cent in the September quarter.

Despite the clear reluctance to spend, most economists remain convinced the Reserve Bank will keep rates on hold at 4.25 per cent at its board meeting on Tuesday.

HSBC Australia chief economist Paul Bloxham said the mining boom was key and there was nothing in the data that would lead the RBA to consider cutting interest rates.

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