



# AGE

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## Housing dip signals rate cut

### Mortgage relief in sight as economy starts to falter

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FRESH signs of an economic slowdown have raised expectations that the Reserve Bank will move soon to cut official interest rates, providing struggling home buyers with their first rate relief in seven years.

In the latest indicators of a faltering economy, new figures have confirmed that the jobs market is deteriorating, and that house prices have been falling in big cities including Melbourne.

The Reserve Bank board will meet in Sydney today, and discussions are expected to focus on the timing of a cut in official interest rates.

The meeting will be asked to consider whether there are clear signs that the economy and inflation pressures are easing or whether it should wait for more confirmation before beginning to cut rates. The bank will announce its decision at 2.30pm.

RBA staff believe that although inflation remains high, the worst of the price pressure has passed and the inflation rate

should fall back to within the bank's 2 to 3% comfort zone by 2010. They also believe there is no need to wait until that happens before cutting rates.

A report sent to board members on Friday said that since the last time they met there had been confirmation that retail sales had plunged, that credit growth had fallen to a six-year low and that business and consumer confidence were close to recession levels.

Yesterday, the Bureau of Statistics released figures revealing that prices of established houses fell in four of the nation's eight capitals in the June quarter. In Melbourne, the index of established house prices fell by 0.3% — its first quarterly fall since March 2005.

The index of established

house prices is considered more reliable than others prepared by estate agents as it compares "like with like" — similar-size houses in a similar mix of suburbs.

ANZ economist Alex Joiner said he was not surprised at the deterioration, saying the housing market had been pummeled by "a perfect storm of higher mortgage rates, poor affordability, high petrol prices, increases in the costs of living and the beginnings of a broad-based economic slowdown".

However, he expected that underlying demand and supply conditions would shield the market from further sustained falls.

Also indicating a slowing economy was the ANZ's measure of job advertisements, which slid a further 0.3% in July after falling 3% in June.

Meanwhile, as motorists enjoyed the biggest weekly drop in petrol prices in four years, service stations have been accused of not cutting prices enough.

Petrol prices on average fell 6.1 cents per litre across Australia last week to 153.5 cents, according to the Australian Institute of Petroleum's latest weekly petrol prices report.

But Commonwealth Securities economist Savanth Sebastian said prices should have fallen further, given recent declines in the international price of oil.

"Over the last three weeks the national average petrol price has fallen by almost 10 cents a litre, yet declines in world prices suggest that pump prices should have fallen by double that amount," he said.

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### HOUSE PRICES TURN DOWN

In the three months to June ...

Melbourne	-0.3%	(+14% year)
Hobart	-2.0%	(+3% year)
Canberra	-1.4%	(+7% year)
Perth	-2.4%	(-1% year)
Sydney	+0.3%	(+4% year)
Adelaide	+0.4%	(+16% year)
Brisbane	+0.6%	(+14% year)
Australia	-0.3%	(+8% year)

ABS House Price Indexes

