

Media Release

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Caution needed in interpreting CPI figures

The December 2009 quarter Consumer Price Index (CPI) for the housing group, increased by 0.8 per cent compared to all groups, which increase 0.5 per cent. These figures increased 5.5 per cent and 2.1 per cent over the twelve month period, respectively.

The President of the Real Estate Institute of Australia (REIA), Mr David Airey says, “The December figures should not be interpreted as rampant demand in the housing sector. We need to examine the facts underlying these outcomes before jumping to conclusions.”

“Whilst the index for house purchase increased 1.0 per cent for the quarter and 2.4 per cent for the year, the December figure reflects three consecutive interest rate rises over the December quarter”, he said.

Contributing to the annual increase of 5.5 per cent for the housing group were substantial increase in the price of utilities – 15.5 per cent for electricity, 14.1 per cent for sewerage and 5.7 per cent for property rates and charges.

“When you examine the details, you could not conclude that further interest rates rises are required next week to suppress excessive demand in the housing sector. Indeed, you could draw a contrary conclusion,” Mr Airey continued.

“I encourage the Reserve Bank of Australia (RBA) to exercise caution next week in its decision on official interest rates,” he concluded.

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