

Media Release

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Wellington belongs in Australia?

Today's rise, by the Reserve Bank, in the OCR is taking the productive sector into a perfect storm. Look out if you are in construction, farming (rural sector) or inbound tourism.

Jennian Homes is calling on the Reserve Bank and the Government to take a stronger leadership role to restore consumer confidence in New Home Building. The current system is not working and we are not Australia. Existing house prices are static to falling and new housing growth is stalling and maybe starting to fall away again. New Home Builders are facing the toughest times in living memory and have been for years now. The Reserve Banks assumptions on housing growth are flawed and increasing the OCR will only hurt the existing and new housing and other productive sectors.

"The indicators are no longer pointing to an upswing in residential construction, and consumers are still holding back," says Jennian Homes Director Richard Carver. "Consumers need more confidence to get them over the line. Increasing the OCR does little to grow weak consumer confidence. According to the National Bank, this week, business confidence has also fallen in the past month, which is yet another reason for the Reserve Bank to show constraint with OCR rate increases".

"The government's recent attack on residential property investors, GST and ACC increases will only undermine consumer confidence further. Not to mention, in my opinion, the flawed early introduction of the Emissions Trading Scheme, which will force higher petrol and electricity prices on all New Zealanders, at a time when we are all being told that we must save more."

It is ironic, that the Government is introducing most of the inflationary pressures through, the GST and ACC increases and the introduction of Emissions Trading Scheme and the Reserve Bank is now raising the OCR to control the inflation that the Government is introducing. We are heading into a perfect economic storm with rising costs, rising dollar, rising interest rates, falling net migration and falling consumer and business confidence. The average kiwi, in a non essential job, is still hurting from the recession and the motivated ones will now be eyeing up the lucky country across the ditch, which will assist with improving New Zealand's unemployment statistics along with draining our talent pool, which no doubt the Government will claim as great policy.

Australia continues to widen the economic and wages gap between the two countries, despite ongoing reassurances from the Government.

The 0.25% increase in the OCR today is as premature and unwarranted as the last one. The associated appreciation in the NZ dollar of more than 9 cents or 14%, since the first OCR rise, will only make the recovery longer and harder for all Kiwis, especially primary exporters, the backbone of our economy. Recent falls in milk powder export prices will be further compounded by the high flying Kiwi.

Globally things still remain uncertain and America may be heading into a double dip recession.



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Slowing immigration and the grossly optimistic view on pent up new housing demand by many of New Zealand's leading economists will prove the timing of these OCR increase assumptions to be flawed. The predicted housing shortage, at this stage, appears to be just a myth, as every departing Kiwi, mostly heading for Australia, will tell you, along with 20-plus-year-olds who are more than happy staying at home with their overburdened parents. Most people in non-essential jobs still lack confidence in job retention; recent layoffs attest to this.

Once again Mr Carver says the October GST increase, coupled with the impact of the Emissions Trading Scheme, will see household expenses rise. "That may continue to keep consent numbers in check for a while yet. Everywhere you look costs are increasing, mainly driven by the government sector. Take away the Governments price increases and there is little inflationary pressure and with ongoing global uncertainty little need to increase the OCR which penalises the productive sectors of the economy".

The government needs to step up to restore consumer confidence in new home building and renovations, and to restore industry viability.

In short today's rise in the OCR was unwarranted and will hurt the Housing Sector.

ENDS

For further comment:

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