

Property boom pumps more cash into coffers

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The booming WA property market has already smashed Treasury's May Budget forecasts, leaving the State Government on track for a record surplus of about \$2.3 billion for 2005-06.

Official Treasury figures published yesterday for May show that tax collections from the property market continued to exceed expectations, directing more windfall revenues into the Government's coffers.

The WA property market was so strong in May that the Government collected \$100 million more in conveyance duty than in the same month last year.

That higher tax revenue left the State Budget \$1.84 billion in

surplus at the end of May, with Water Corporation dividends alone destined to add at least another \$340 million to that surplus figure by the June 30 balance date.

Revelations of the latest tax revenue windfalls come at a sensitive time for the Government, which is resisting police union demands for a 20 per cent pay deal over two years.

The latest figures also increase the pressure on Treasurer Eric Ripper to bring forward tax cuts ahead of his 2007 Budget.

The surplus outcome for the 2005-06 financial year just completed could have been even higher had the Government held the line on its original spending targets.

While revenue collections were up 12.4 per cent to \$14.38

billion in the 11 months to the end of May, general government spending rose an unsustainable 8 per cent. Public sector salaries accounted for the lion's share of that rise and will continue to determine the rate of expense growth in the short to medium term.

The Government's revenue estimates for 2006-07 could also prove to be conservative, particularly in the wake of the recent 19 per cent price rise negotiated by WA iron ore producers with Chinese steel mills. That increase alone will deliver the Government \$85.5 million more in iron ore royalties this financial year than had been budgeted for.

The 2006-07 surplus will be inflated even further if the property market remains resilient in the face of Treasury predictions

of a softening. Treasury is forecasting that property-related stamp duty collections will fall from an estimated \$2.04 billion in 2005-06 to \$1.86 billion this financial year and to \$1.65 billion in 2007-08.

Those falls are predicated on a slowdown in the property market characterised by steady house prices and a lower volume of transactions.

According to the Budget papers, the reasons behind that market softening included "reduced impetus from the mining sector as commodity prices begin easing, greater balance in the supply and demand for housing and lower housing affordability and investment returns".

Treasury is forecasting a \$1.27 billion surplus for 2006-07.



For Sale

colling in it: In May this year the State Government collected \$100 million more in conveyance duty than in the same month last year.

Rates rise fear after surge in home loans

RAN SPENCER

The threat of an interest rate rise next month moved a step closer yesterday after new figures showed a surge in the number of home loans in May, despite the move by the Reserve Bank to lift rates that month.

The Australian Bureau of Statistics figures showed total home loans rose 4.7 per cent in May to 62,768, well above the average increase of 1.3 per cent predicted by economists, while the value of loans grew 4.5 per cent overall.

Victoria proved to be the most active market, with loans

up 7.9 per cent, while WA registered the smallest increase of 0.8 per cent in further evidence that Perth's supercharged property market is slowing.

The ABS data also revealed investors had moved back into the national market, with loans for investment properties up almost 5 per cent in May — a figure which could concern the Reserve Bank.

But housing industry bodies yesterday warned the May figures did not present a true picture of the market and should not be used as a trigger to lift rates again. "Despite the strong result, lags in the system mean

the impact of the May rate rise will still flow through over coming months," said Master Builders Australia chief economist Peter Jones.

The Housing Industry Association said increased anxiety over interest rates during May saw a 4.5 per cent jump in households refinancing existing loans. "(Yesterday's) numbers will no doubt come under the scrutiny of the Reserve Bank, but it's still early days as the economy is yet to fully absorb the effect of the May rate rise," HIA executive director housing and economics Simon Tennent said.

Two major national surveys yesterday showed Australian businesses are worried about the economic environment ahead.

The National Australia Bank business confidence index was unchanged at nine points with falling sentiment in the retail, transport and services sectors offset by stronger confidence in construction.

But the D&B Business Expectations Survey found concerns about both interest rates and fuel prices contributed to a poor outlook for businesses, with 22 per cent saying they had been hurt by May's interest rate rise.