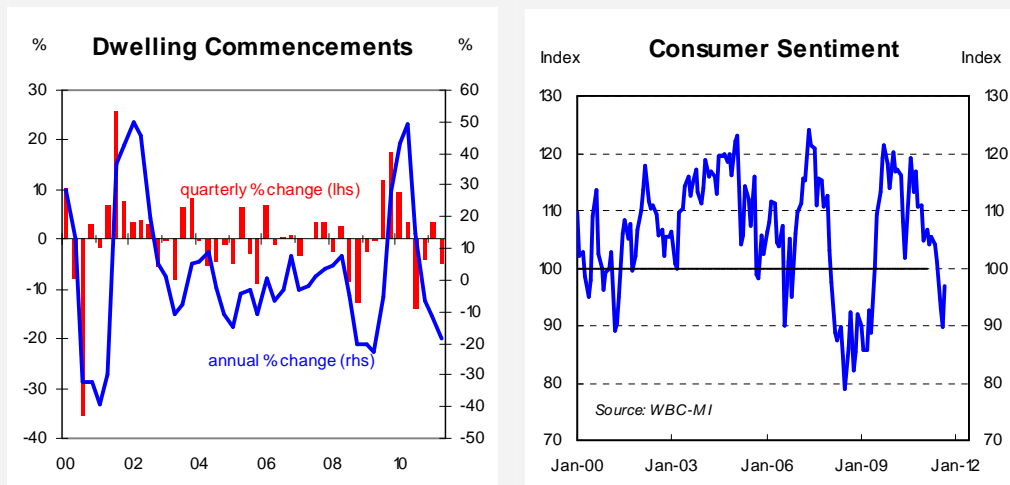


DATA SNAPSHOT

Dwelling Starts – Slide Continues

Wednesday, 14 September 2011

- Dwelling unit commencements declined 4.7% in the June quarter, falling well short of consensus expectations for a 2.0% rise. Private sector house approvals fell 2.1%, while private sector “other” residential building (which includes apartments) fell 7.1%.
- For the year, dwelling commencements fell 18.6%; with new private sector house approvals fell 15.5%, while other residential approvals rose 3.1%.
- A separate release from Westpac showed consumer sentiment rebounded in September, rising 8.1%, with expectations interest rates are to remain on hold and stronger economic growth in the June quarter supporting sentiment.



Dwelling Unit Commencements

Dwelling unit commencements fell 4.7% in the June quarter, led by a 7.1% decline in private sector other residential building (which includes apartments). This followed a 15.2% jump in private sector other residential building commencements in the March quarter. In the June quarter, private sector house commencements fell 2.1%, which was the sixth consecutive quarterly decline.

By State, sharp declines in dwelling commencements were seen in NSW (-20.1%), Queensland (-16.3%) and Tasmania (-14.3%) in the June quarter, while dwelling commencements gained in Victoria (+6.8%, following a 2.7% increase in the March quarter) and SA (4.5%).

Today's dwelling commencements data indicates housing construction activity has moderated, which has also been apparent in other data. Recent housing finance data (which tends to lead construction activity) has now increased for four consecutive months and is up 5.4% for the year. This suggests we could see the decline in dwelling commencements ease in coming quarters. The continued slowdown in dwelling commencements in the June quarter reflects official interest rates which are at a slightly restrictive level, as well as moderation in house price growth.

WMI Consumer Sentiment

Consumer sentiment was surprisingly strong, rising 8.1% in September, with expectations interest rates are to remain on hold and stronger economic growth in the June quarter

supporting sentiment. However, the reading of 96.9 is still below 100, indicating more consumers are pessimistic than optimistic, and the index is now 14.8% below the average reading in 2010.

The quarterly survey of major news items recalled showed of all the categories, only interest rates were considered less negative in September than in June, while sentiment surrounding economic conditions, taxation and international conditions had deteriorated.

By State, the largest improvement in consumer sentiment for the month came in SA (+27.4%, following two sharp declines), followed by QLD (19.6%), WA (14.3%) and Victoria (12.6%), while the rise in sentiment in NSW was a more subdued 1.1%.

For the year, most of the states have seen consumer sentiment decline, with the exception of WA and Tasmania, where sentiment has improved, and more consumers are optimistic than pessimistic. Over the past year, the largest declines in consumer sentiment were seen in NSW (-19.3%), SA (-18.9%) and Victoria (-18.0%), with the indices for sentiment in all three states below 100, indicating more consumers are pessimistic than optimistic.

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