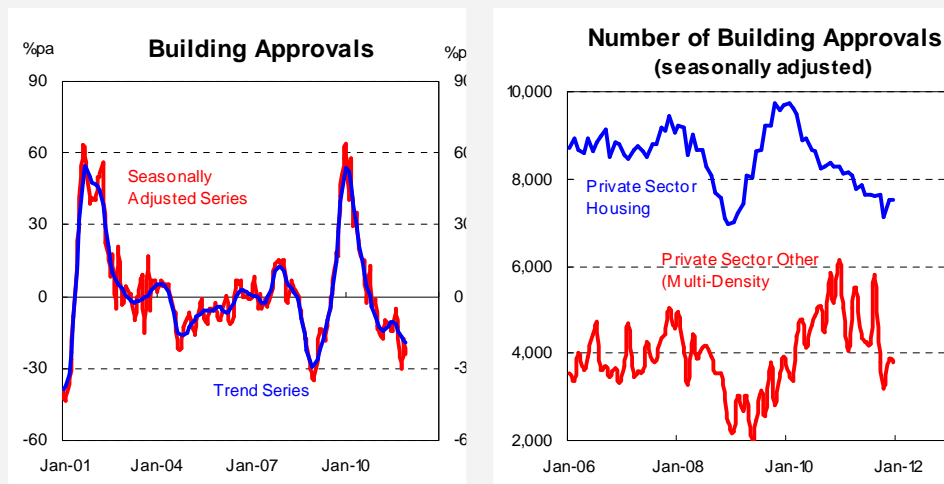


DATA SNAPSHOT

Building Approvals – Battered and Bruised

Thursday, 2 February 2012

- There has been high volatility in the approvals data over recent months, but there is no denying that the overall trend remains a weak one. In trend terms, which help smooth out the volatility, building approvals fell nearly 2% in December to be down 19.3% on a year ago – the weakest annual pace in nearly 3 years.
- Approvals to build both public and private dwellings fell in December, by 26.5% and 0.6%, respectively. Within the larger private sector, a 2% drop in multi-dwelling approvals swamped housing approvals that edged up 0.2% in the month.
- Recent rate cuts from the Reserve Bank and the prospect of more in coming months will help boost housing demand. Certainly, housing lending has been recovering since April last year. Eventually, this pick up in housing finance should flow on to a recovery in building approvals.
- However, global woes and the soft credit environment suggests that when this recovery does come through, there is a risk it will be later rather than sooner.



Building approvals dropped 1% in December, indicating that residential housing remains down in the dumps. The total number of approvals for December of 11.4k is higher than the 2011 low of 10.5k, but remains one of the lowest prints in more than two years.

On an annual basis, total approvals are down 24.5%, representing the fourteenth consecutive month of contraction.

There has been high volatility in the data over recent months, but there is no denying that the overall trend growth remains weak. In trend terms, building approvals fell by 1.8% in December and fell by 19.3% in the year to December – the weakest annual rate since March 2009.

Approvals fell in the month in both the private and public sectors.

In the public sector, approvals fell 26.5% and have dropped 85.7% in the four months to December.

Meanwhile, in the private sector, approvals fell 0.6% in the month and declined 21.7% on a year ago. Within the larger private sector, a 2% drop in attached housing swamped housing approvals that edged up 0.2% in the month. Both attached and detached housing were down sharply on a year ago – by 9.2% and 38.5%, respectively.

States

Looking at the States, weakness in approvals in December were concentrated in Victoria, South Australia and NSW. But Queensland, Tasmanian and Western Australian approvals rose, helping stem the overall decline in approvals.

In Queensland, the data perhaps provides some evidence of a deeper post-flood recovery. Queensland approvals rose 24.6% in December after a 13% jump in November.

Outlook

Recent rate cuts from the Reserve Bank and the prospect of more in coming months will help boost housing demand. Certainly, housing lending has been recovering since April last year. Eventually, this pick up in housing finance should flow on to a recovery in building approvals.

However, global woes and the soft credit environment suggests that when this recovery does come through, there is a risk it will be later rather than sooner.

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