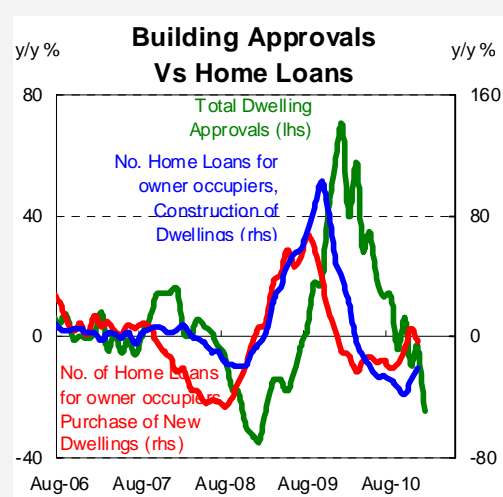
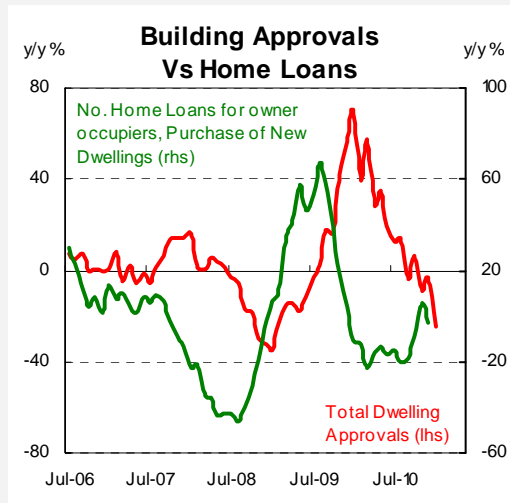


# DATA SNAPSHOT

## Trade Balance & Building Approvals

Friday, 4 March 2011

- The number of dwelling units approved plunged 15.9% in January to be 24.8% lower over the year. It follows a 10.0% jump in December.
- It was the more volatile 'private sector other dwellings' component that suffered a larger decline in January, of 30.8%. Private sector house approvals also weakened, but to a smaller extent (-2.4%).
- Adverse weather and a typically volatile series imply caution in interpreting the outcome. However, the underlying trend has been a weak one.
- Meanwhile the January trade surplus narrowed due to the disruption in coal exports as a result of the Queensland floods. The trade balance represents an important initial measure of how the floods will impact on March quarter GDP. See below.



The ABS, cautioned today, as it has for all series in the recent period of adverse weather in East Australia, that today's data should be interpreted with caution. Widespread flooding, particularly in Queensland, and other recent natural disasters have had an impact on the number of approved dwellings and the value of approved work in January 2011. So revisions are likely.

But generally this series should be treated with caution, as it is typically very volatile. For example, before the floods, outcomes had ranged from declines of 11.2% to increases of 15.5% over 2010. The underlying trend however is a weak one with non-stop declines registered since March 2010. The trend has been weak for private sector houses, but private sector 'other dwellings' (which includes apartments and townhouses) have been improving.

By State, the trend has been weakest in QLD, SA, TAS and NT with declines experienced for most of 2010. By contrast, NSW, VIC, WA and ACT have witnessed an improvement. Here, VIC stands out as the State with the most prolonged uptrend, experiencing consecutive increases in dwelling unit approvals since May 2010. There are concerns, however, that the supply of approvals in Melbourne could start to outstrip demand. In acknowledgement of such a scenario, we may start to see the dwelling approvals trend in VIC flatten out or start to decrease.

Elsewhere, QLD is likely to continue to experience declining building approvals. While QLD has the mining boom to support it, developers could remain cautious in the medium term amid weakening demand for housing in this historically flood-prone state. WA, however, the

other resource-rich state is likely to fare better.

More generally, for Australia, the recent improvement in 'home loans taken out for the construction of dwellings' should eventually flow through to dwelling unit approvals in coming months. Repair work, major renovation and rebuild work in flood affected areas over the year ahead also suggests an uplift in approvals.

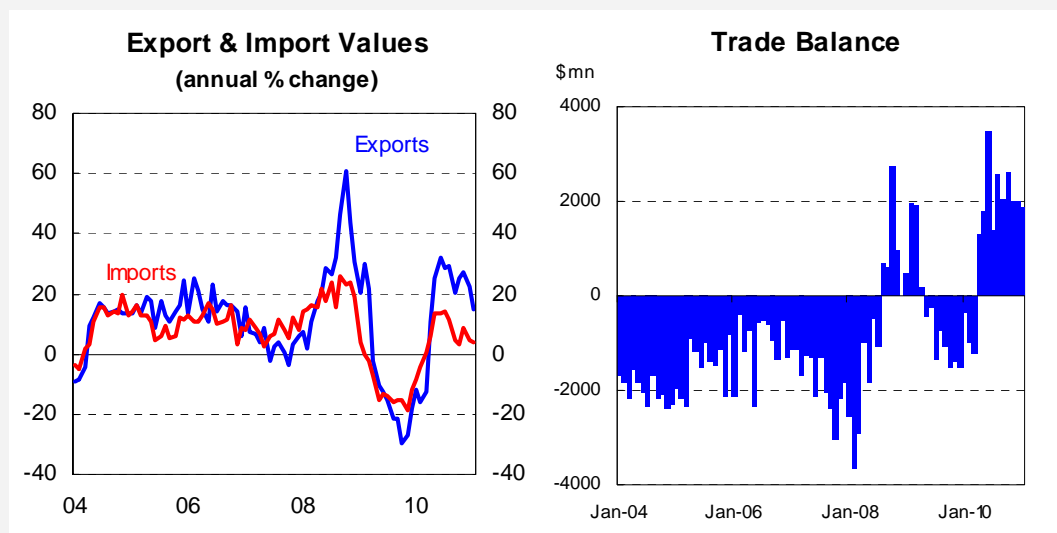
The value of non-residential building approvals (in seasonally adjusted terms) fell 48.7% in January after a 13.3% rise in December. In trend terms, this series has been weak over the last four months.

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### January Trade Balance



January's balance of trade is better than expected. As anticipated exports fell sharply with the transport of coal halted because of the floods. On the other side of the ledger there has been a fall in imports, in particular intermediate and other merchandise goods.

This month's trade report is the clearest measure yet of the impact of the Queensland floods on activity. Firstly, the Australian statistician notes that the trade data has not been disrupted due to the floods. This compares to the January unemployment report, which is muddled due to ABS officers unable to access some flood prone areas.

Secondly, it is the flood's impact on coal exports, which has the greatest potential to drag the March quarter GDP into negative territory. And as the floods occurred mostly in January this report would seem to be more important than others in counting the costs.

Coal exports tumbled. Hard coking coal volumes fell 39% per cent, representing a \$713 million loss in revenue. Semi-soft coal declined 33% or \$230 million. While thermal coal receipts dropped 6% or \$75 million.

Two key forecasts were doing the rounds after the floods regarding coal production. ABARES and the Queensland Government calculated a loss of 15 million tonnes in exports, while the Queensland Resources Council estimated a production loss of 31 to 54 million tonnes over the three quarters to June 2011.

Based on previous loading rates and lost revenue, our calculations suggest the loss in coal export volumes is closer to 15 million tonnes and that it may even end up being less. That said all up coal revenue fell by around one billion dollars in January or 0.3% of gross national income in current terms. A more exact figure will be available after the next trade report with disruptions to export loading extending into February because of Cyclone Yasi. Loading returned to more

normal levels at most ports half way through the month.

At St.George we expect the March quarter to contract by 0.2% and then rebound in June. Not only has coal loading resumed, prices have risen in recent weeks to levels which are likely to compensate miners for their losses. Industries outside of mining, which also risk sharp declines in activity in Q1– including investment in dwellings – should also rebound in June and experience additional lift due to repair and rebuilding.

### Detail

January's trade surplus narrowed by \$143 million to \$1,875m. Expectations were that the surplus would be a smaller \$1,550m. Exports fell \$1.0 billion (4%) to \$23,639m. Non-rural goods, which is largely coal and iron ore, fell \$1,403m (8%). Rural goods fell \$37m (2%). Non-monetary gold rose \$422m (38%). Services credits expanded \$10m.

Imports declined \$860m (4%) to \$21,764m. Intermediate and other merchandise goods dropped \$904m (11%). More specifically, this reflected a fall in fuels and lubricants, which tends to be volatile.

Imports of non-monetary gold fell \$102m (26%) and consumption goods decreased \$79m (1%). Capital goods rose \$128m (3%) – this is a positive outcome as it suggests business may finally be taking advantage of the stronger dollar to increase their capital base on the prospect of improved demand in the new year. Services debits rose \$98m (2%) – Australian visits overseas continue apace given the advantage of the strong Australian dollar.

**Table 1: Coal and iron ore in volumes and prices**

2010 %	Aug	Sep	Oct	Nov	Dec	Jan
<b>IRON ORE</b>						
<b>Lump</b>						
Volumes	-5	8	10	-11	14	np
Price	-2	-2	-12	1	4	np
<b>Fines</b>						
Volumes	2	4	7	-6	9	np
Price	-3	-2	-11	1	5	np
<b>COAL</b>						
<b>Hard coking</b>						
Volumes	36	-11	-4	-10	-6	-39
Price	3	-4	-6	-6	-	-1
<b>Semi-soft</b>						
Volumes	-10	-8	8	-5	3	-32
Price	2	-10	-	-6	-2	-2
<b>Bituminous</b>						
Volumes	4	7	-1	-19	15	-10
Price	-2	-1	-6	-	2	4

np - not available for publication

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