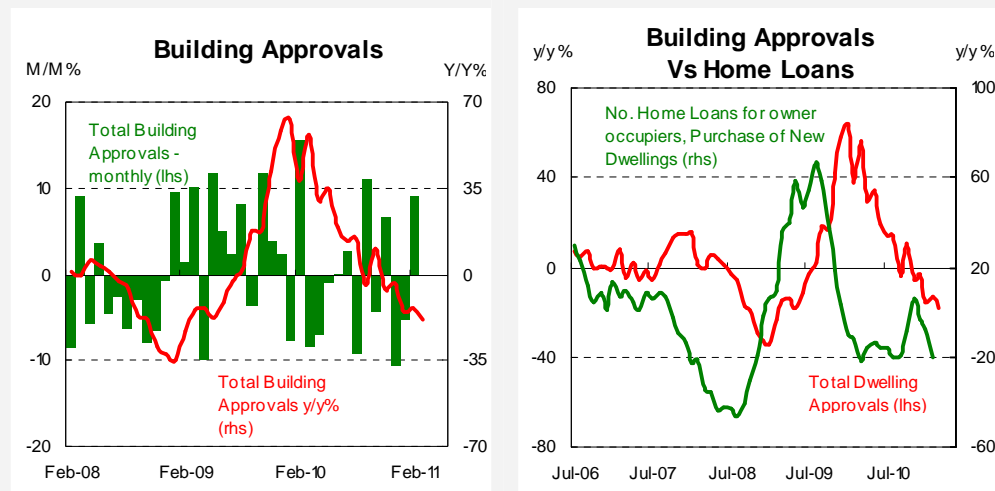


DATA SNAPSHOT

Building Approvals: Victoria drives Rebound

Thursday, 5 May 2011

- Total building approvals jumped by 9.1% in March, after consecutive falls of 5.3% and 10.7% in January and February respectively. Over the year to March, approvals were down 18.1%, the weakest since February 2009.
- Behind the March increase was a 26.1% jump in the more volatile other dwellings series. Meanwhile, approvals in private sector housing remain weak; this category declined by 0.8%.
- The strength in today's data was driven by sharp increases in NSW and Victoria. The jump in Victoria likely reflects a recovery from floods which hampered approvals in February.
- Despite the bounce, growth in approvals remains quite weak, and in trend terms is still contracting. This is consistent with softening housing conditions amid relatively high interest rates. Ongoing weakness in dwelling approvals indicates that Australia's chronic housing shortage looks set to continue.



Total building approvals jumped by 9.1% in March followed by declines of 10.7% and 5.3% in January and February, respectively. Over the year to March, building approvals are down by 18.1% the weakest since February 2009.

The increase in March reflects a 26.1% surge in other dwellings, which includes apartments and townhouses. However, this series is usually very volatile and the jump follows an almost 31% decline over the January to February period. Further, growth in other dwelling approvals in March have slowed to 11.9% from 20.1% in February on a year on year basis. Growth in private sector housing approvals remains weak declining 0.8% and is down 17.8% over the year.

Looking across the States, the strength in today's data was driven by increases in NSW and Victoria where approvals increased by 8.5% and 26.8%, respectively. The jump in Victoria likely reflects a recovery from floods, which hampered approvals in February. It appears housing supply in Victoria is still responding to strong house price growth last year with approvals well above the long-run average. However, it appears that the floods and cyclone are still having a negative impact in Queensland, which experienced a 15% decline. Approvals in the disaster-stricken state were the lowest since 1986, and were down by 47.7% over the

year to March, the largest fall since the data is available. Post-flood rebuilding may not have a significant impact on approvals in coming months, as some QLD councils provide approval exemptions for some restorations as a result of accidental damage.

Despite the bounce, building approvals remains weak when looking past the volatility. In trend terms, approvals declined by 1.0% in March, its fourth consecutive decline, and over the year they fell 14.5%. This is consistent with weaker housing conditions amid higher interest rates. Indeed, housing finance data point to subdued residential building activity.

Ongoing weakness in new dwelling starts suggests that new supply of housing will be unlikely to keep up with population growth. Thus Australia's chronic housing shortage looks set to continue for sometime.

Janu Chan, Economist

Ph: (02) 9320-5892

Email: chanj@stgeorge.com.au

St.George Contact Listing

Economics & Strategy:

Chief Economist	Besa Deda	dedab@stgeorge.com.au	(02) 9320 5854
Senior Economist	Josephine Heffernan	heffernanj@stgeorge.com.au	(02) 9320 5751
Economist	Janu Chan	chanj@stgeorge.com.au	(02) 9320 5792

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