

KEY POINTS

Number of dwelling units approved

- The seasonally adjusted number of dwelling units approved fell by 0.1 % to 12,126 in August. This followed a 6.6% rise in July and a record 11.2% rise in June.
- The annual growth rate of dwelling approvals eased from a fall of 3.0% in July to be flat in August. This followed 13 months of negative growth rates.
- A sharp 11.7% drop in other dwelling approvals drove the slight drop in total dwelling approvals in August. This was partly offset by a 3.1% rise in the number of private sector houses approved.
- The trend number of total dwelling approvals expanded for a seventh successive month, growing by 1.6% in August.

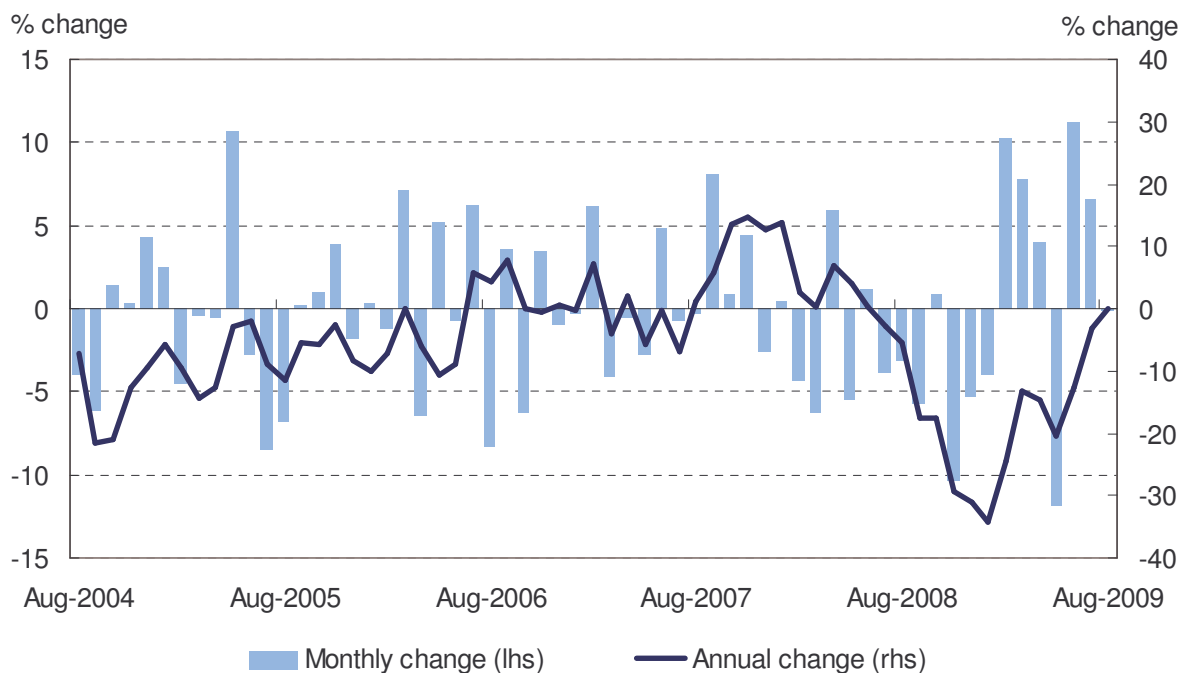
Value of building

- The seasonally adjusted estimate for the value of total building approved rose 32.6% in August.
 - The seasonally adjusted estimate for the value of new residential building approved fell 1.9% while the value of alterations and additions approved rose 7.1%.
 - The seasonally adjusted estimate for the value of non-residential building rose 68.7%.

The states

- The trend estimate for total dwelling units approved rose 1.6% in August 2009. The trend rose in New South Wales (+4.5%), Victoria (+1.4%), Queensland (+0.7%), Western Australia (+1.8%) and Tasmania (+1.6%), while the estimate was flat in South Australia.

Chart: Monthly & annual growth in number of dwelling units approved



Policy implications

- The 0.1% fall in August building approvals was unexpectedly weak compared to a market median forecast of 2.5%. However, the building approvals data tends to be very volatile.
- Abstracting from this monthly volatility, recent approvals data (along with the solid upturn in housing finance approvals since late last year) provides further evidence of an improvement in demand for new housing, which has been supported by a combination of pent up demand, low interest rates and the Government's grant boost for first home owners.
- The improvement in the housing sector adds further evidence to support the RBA's view that the economy is beginning to recover from the slowdown in economic activity experienced since mid 2008.