

KEY POINTS

Number of dwelling units approved

- The seasonally adjusted number of dwelling units approved fell by 12.5% to 9,953 in May, following three successive monthly increases. This marked the heaviest monthly fall in total approvals since November 2002.
- The annual rate of decline in dwelling approvals accelerated from 15.4% in April to 22.4%.
- The lift in total dwelling approvals was driven by a sharp, 43.6% fall in private sector other dwelling approvals to 1,677 (their lowest number since April 1987). The number of private sector houses approved was 2.0% lower in May.
- The trend number of total dwelling approvals increased in May, growing by 1.3%.

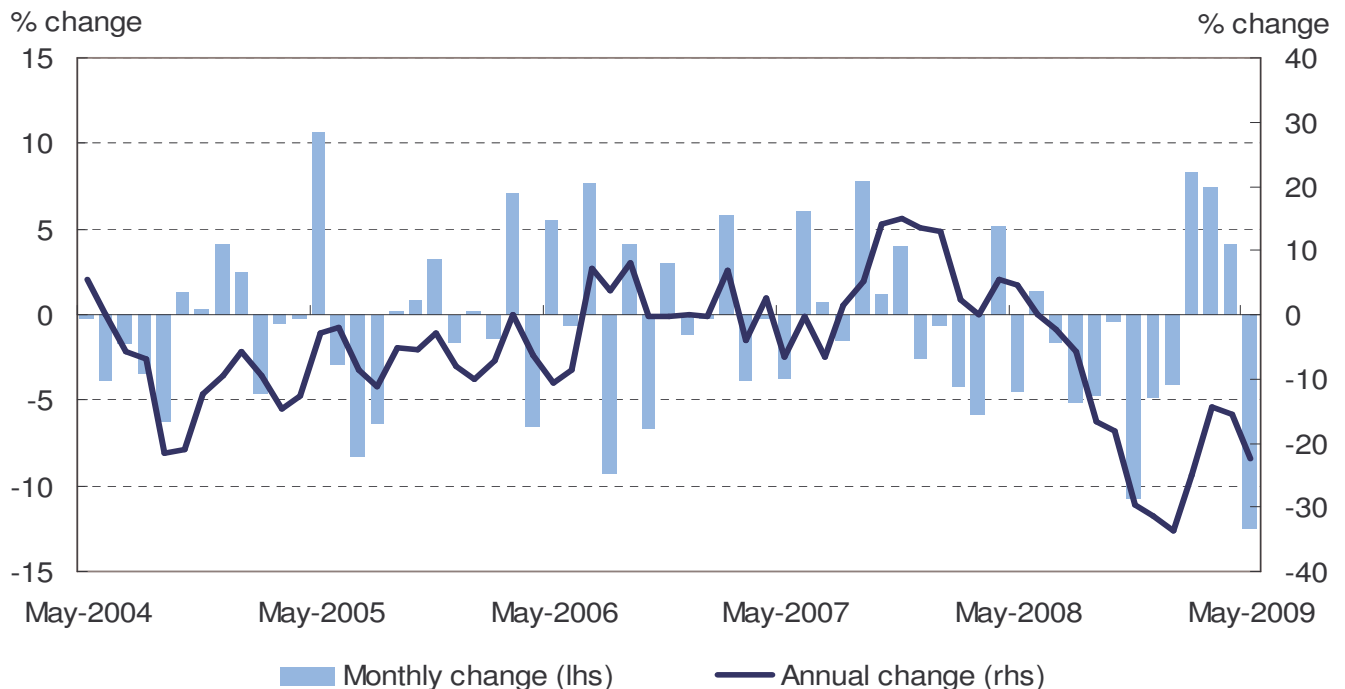
Value of building

- The seasonally adjusted estimate for the value of total building approved fell 12.3% in May. The seasonally adjusted estimates for the value of new residential building and alterations and additions approved fell by 5.6% and 13.4% respectively. The seasonally adjusted estimate for the value of non-residential building fell 20.9%.

The states

- The trend for dwelling units approved grew in all states, excluding South Australia where they fell marginally (-0.1%). The strongest growth was in Queensland (+2.7%), followed by Tasmania (+2.2%); Western Australia (+1.8%); New South Wales (+0.5%); and Victoria (+0.3%).

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



Policy implications

- The significant decline in total building approvals in May was largely the result of massive fall in the number of private sector other dwellings approved. Nevertheless, the number of private sector houses approvals was also lower, despite market expectations of further growth in the month.
- The latest outcome reinforces the need for policy settings to be closely monitored. While cuts to the official interest rate and the expansion and extension in the first homebuyers grant have helped support housing demand to some degree in the first half of 2009, more may need to be done to ensure a sustained improvement in activity.