AUSTRALIAN INDUSTRY GROUP

Building Approvals – December 2009

ECONOMIC ALERT

6 January 2010

KEY POINTS

Number of dwelling units approved

- The seasonally adjusted number of dwelling units approved rose by 5.9% to 13,724 in November. This followed a 1.8% decline in October and a 7.6% rise in September.
- The annual rate of growth in dwelling approvals surged from 14.1% in October to 33.3% in November. This constituted the strongest annual increase since April 2002.
- A strong 31.7% increase in other dwelling approvals drove the improvement in total dwelling approvals in November, offsetting a 1.9% decline in private house approvals.
- The trend number of total dwelling approvals expanded for a tenth successive month, growing by 2.7% in November.

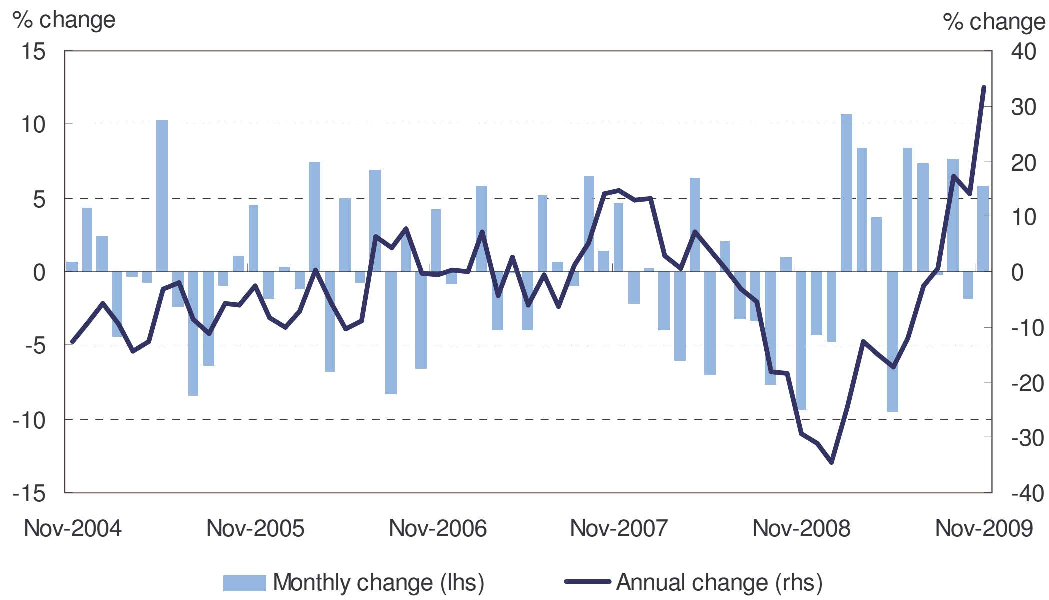
Value of building

- The seasonally adjusted estimate for the value of total building approved rose by 24.6% in November, although this followed declines of 7.1% in October and 19.9% in September.
- The seasonally adjusted estimate for the value of new residential building approved rose by 2.2% while the value of alterations and additions approved fell 1.4%.
- The seasonally adjusted estimate for the value of non-residential building jumped by 52.8% - building approvals in this sector are very volatile, reflecting the relative 'lumpiness' of non-residential building and the impact of the Federal government's schools-related building program.

The states

- The trend estimate for total dwelling units approved rose in all states in the month except Tasmania where growth was flat. Growth rates ranged from: Queensland (+3.7%); NSW (+3.5%); Victoria (+3.0%); Victoria (+2.2%); WA (+1.5%); and SA (+1.4%).

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



Policy implications

- The 5.9% rise in dwelling approvals continues the overall trend improvement seen for most of 2009, reflecting the lagged impact of low interest rates, the boost to the First Homebuyers Grant and pent up demand driven by Australia's deficit in housing stock relative to underlying demand.
- This improvement in demand is likely to moderate over coming months, as monetary policy settings are tightened further and the First Home Owners Grant reverts to a flat $7,000 from the beginning of 2010. The lack of housing stock relative to demand is likely to mean that the moderation will be relatively mild.
- There are few significant policy implications running from today's data as current forecasts are in line with recent building sector performance.