

KEY POINTS

Number of dwelling units approved

- The seasonally adjusted number of dwelling units approved rose by 2.3% to 13,732 in July, following a 3.3% decline in the previous month.
- The annual rate of growth in dwelling units approved moderated from 14.2% in June to 11.0% in July, the lowest annual rate of growth registered over the past eleven months.
- A 7.7% increase in private sector other dwellings approvals (largely comprising apartments) underpinned the increase in total dwelling approvals in July. The number of private sector housing approvals registered a slight seasonally adjusted decline of 0.1% in the month.
- The trend number of total dwelling approvals fell by 2.5% in the month, the fifth consecutive month of decline.

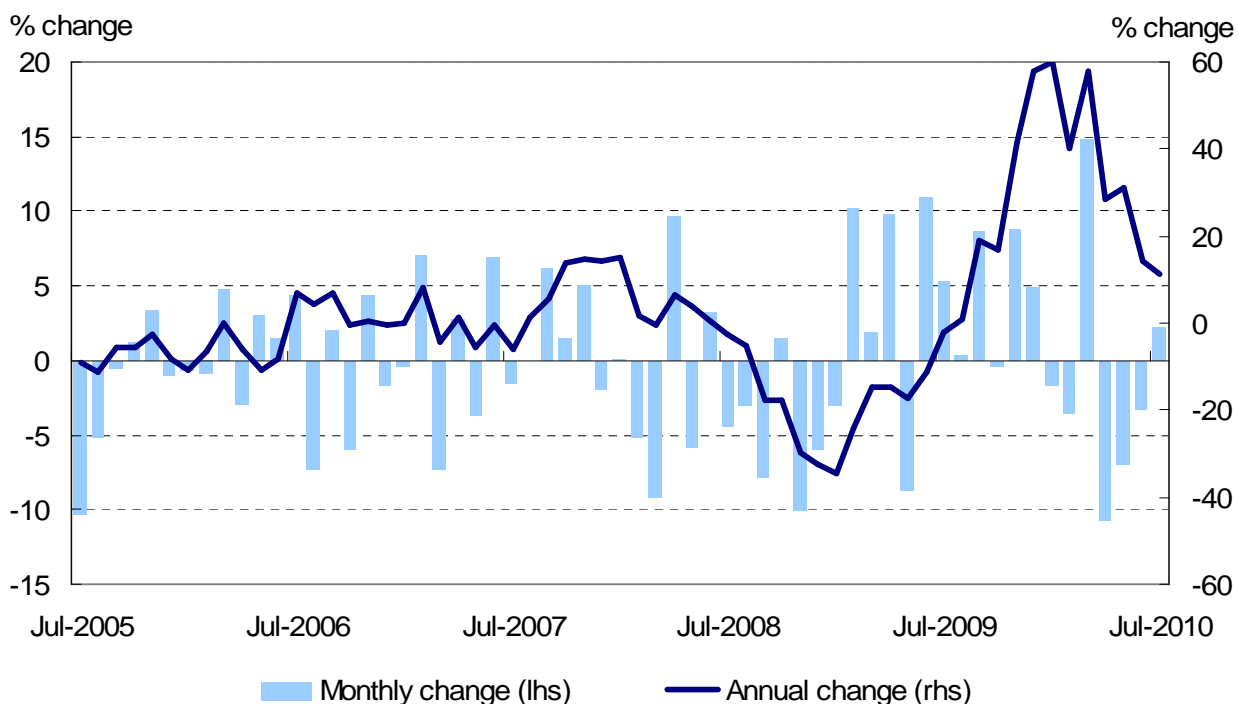
Value of building

- The seasonally adjusted estimate for the value of total building approved fell by 1.3% in July, following a 0.1% decrease in June.
- The seasonally adjusted estimate for the value of new residential building approved increased by 7.1% whilst the value of approved alterations and additions increased by 3.2%.
- The seasonally adjusted estimate for the value of non-residential building decreased by 15.8% following a 13.3% rise in June.

The states

- The trend estimate for the total number of dwelling units approved declined in New South Wales (-2.4%), Queensland (-6.7%), South Australia (-1.8%) and Western Australia (-7.2%). In contrast, increases were recorded in Victoria (+0.5%) and Tasmania (+2.0%).

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



Policy implications

- The increase in dwelling approvals in July, which exceeded the median market consensus expectation of a 0.7% decline, reflects a 7.7% increase in the volatile “other dwellings” component which includes apartments. The underlying trend indicates that approvals have passed a cyclical turning point, with annual growth moderating from a peak of 52.7% in January 2010 to 12.6% in July 2010.
- Private sector housing approvals (which account for almost two-thirds of total dwelling unit approvals) continue to exhibit weakness in line with higher mortgage rates, low levels of demand from first home buyers and stretched affordability. Due to these influences, housing approvals are likely to remain subdued in coming months, reinforcing the case for steady interest rates.