

KEY POINTS

Number of dwelling units approved

- The seasonally adjusted number of dwelling units approved fell by 4.7% to 13,049 in August, following a 0.1% rise in the previous month.
- The annual rate of growth in dwelling approvals moderated from 11.1% in July to 4.4% in August, the lowest annual rate of growth registered over the past twelve months.
- A 4.3% decrease in private sector housing approvals drove the decline in total dwelling approvals in August. The number of private sector other dwelling approvals (largely comprising apartments) registered a seasonally adjusted increase of 1.4% in the month.
- The trend number of total dwelling approvals fell by 2.7% in the month, the sixth consecutive month of decline.

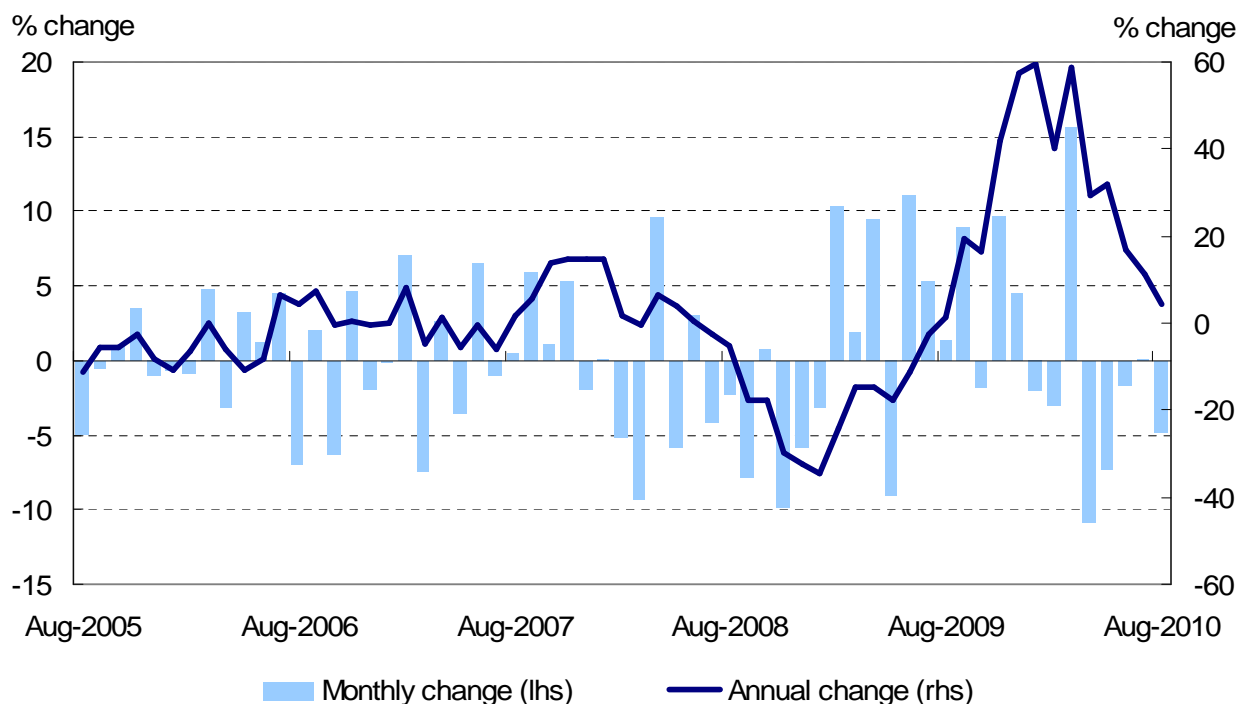
Value of building

- The seasonally adjusted estimate for the value of total building approved fell by 4.2% in August, following a 4.6% decrease in July.
- The seasonally adjusted estimate for the value of new residential building approved declined by 7.8% whilst the value of approved alterations and additions declined by 5.5%.
- The seasonally adjusted estimate for the value of non-residential building increased by 3.1% in August, although remained 67.7% down on the level of a year ago.

The states

- The trend estimate for the total number of dwelling units approved declined in New South Wales (-3.6%), Queensland (-8.4%), Western Australia (-5.2%) and Tasmania (-0.1%). In contrast, increases were recorded in Victoria (+0.8%) and South Australia(+0.7%).

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



Policy implications

- Building approvals were weaker than expected in September, falling by 4.7%, as compared to the median market consensus expectation of flat conditions. The fall followed a 0.1% increase in the previous month (revised down from +2.3%) and was driven by a 4.3% decline in private sector housing approvals.
- The fall in total dwelling approvals and the softer conditions in housing since March 2010 are consistent with the weakness in finance for construction data since late last year and Ai Group's Performance of Construction Index (**Australian PCI®**) which showed that both activity and new orders in house building fell for a fourth consecutive month in August 2010.
- The weakness in demand from first home buyers, higher interest rates and the failure of private demand to offset contracting government stimulus has clearly had an impact. Further declines in approvals are expected in coming months, although the extent of the declines will be largely influenced by the RBA's stance on interest rates.