

KEY POINTS

Number of dwelling units approved

- The seasonally adjusted number of dwelling units approved declined by 10.7% to 10,484 in October, following a fall of 14.2% in the previous month.
- On an annual basis, the pace of decline accelerated to -29.8% as compared to -12.6% in September. The annual rate of decline in dwelling approvals has now been in decline for twelve consecutive months.
- October's decline was underpinned by a 16.8% fall in the volatile private sector 'other dwellings' segment (which largely comprising apartments). Private house approvals also exhibited weakness, declining by 7.5% in October to be 15.4% down over the year.
- The trend number of dwelling approvals fell by 2.7% in October, the twelfth consecutive month of contraction.

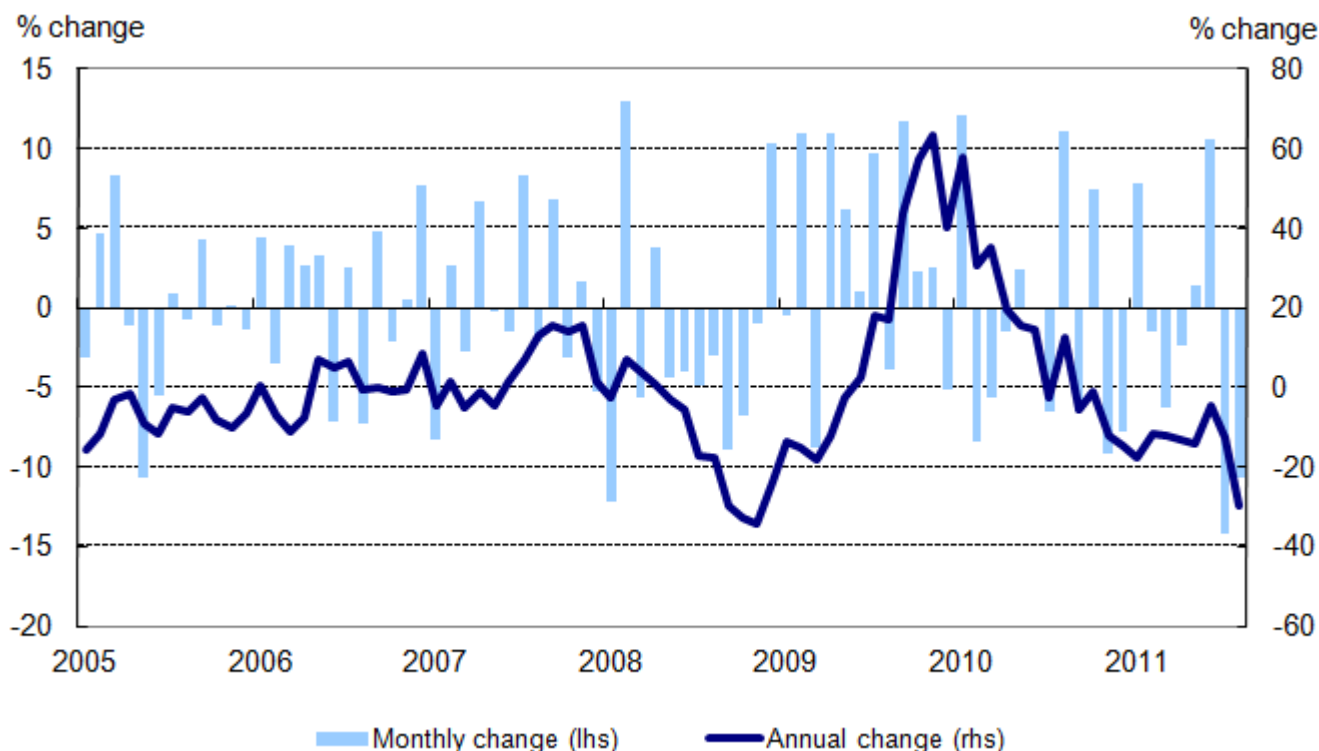
Value of building

- The seasonally adjusted value of total building approvals declined by 2.4% in October to be 21.5% lower on an annual basis.
- The seasonally adjusted value of new residential building approvals fell by 6.1%, while the value of approved alterations and additions fell by 3.3%.
- The seasonally adjusted estimate for the value of non-residential building approvals rose by 4.7%, although this followed a decline of 19.6% in the previous month. Key positive influences included rises in approvals in the private building categories of industrial premises, offices and hotels & accommodation.

The states

- By state, the number of dwelling units approved increased in trend terms in Western Australia (+0.5%) and Queensland (+1.4%) and New South Wales (+0.6%) but decreased in Queensland (-5.1%), Victoria (-4.9%) and South Australia (-1.8%).

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



Implications

- The marked decline in approvals during the month, which followed a larger fall in the previous month, was more pronounced than market expectations of a 3.0% increase.
- Both the “other dwellings” segment (mainly comprising apartments) and private sector houses exhibited weakness. This is consistent with Australian Industry Group’s Performance of Construction Index (Australian PCI®) which continues to depict declining activity and levels of new orders in the house building sector.
- Housing approvals are likely to continue to face a range of headwinds, including on-going householder caution, concerns about the Euro zone debt crisis, continuing “deleveraging” by households or paying down debt and subdued growth in loans for new construction. House prices have also fallen over the past year and this softness is expected to persist in coming months. However, the interest rate cut by the RBA in November should boost borrower sentiment and help limit future weakness in both housing values and conditions in the house building sector.