

KEY POINTS

Number of dwelling units approved

- The seasonally adjusted number of dwelling units approved declined by 1.0% to 11,443 in December. This follows a rise of 10.1% in the previous month which fully recovered the October 2011 decline.
- On an annual basis, the pace of decline accelerated to -24.5% as compared to -17.5% in November. On an annual basis, dwelling approvals have been in decline for twelve consecutive months.
- December's decline reflected a 2.0% fall in the private sector 'other dwellings' segment (which largely comprising apartments). Private house approvals also exhibited weakness, rising by just 0.2% in December to be 9.2% down over the year.
- The trend number of dwelling approvals fell by 1.8% in December, the 14th consecutive month of contraction.

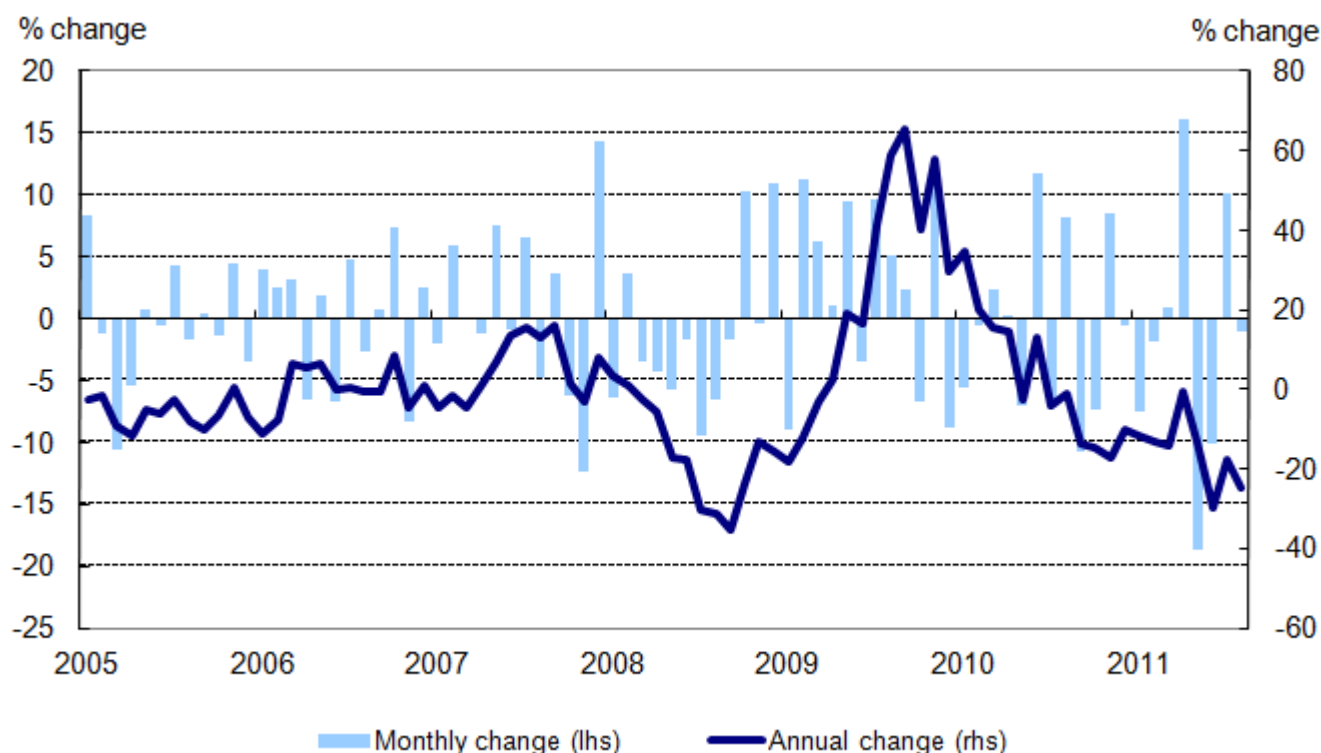
Value of building

- The seasonally adjusted value of total building approvals increased by 1.9% in December, but was still 21.0% lower on an annual basis.
- The seasonally adjusted value of new residential building approvals rose by 0.9%, while the value of approved alterations and additions increased by 1.4%.
- The value of non-residential building approvals (seasonally adjusted) exhibited subdued growth, rising 3.3% to be 20.8% down on an annual basis with commercial construction yet to recover from the winding down of fiscal stimulus.

The states

- By state, the number of dwelling units approved increased in trend terms in Queensland by 1.4%. All other states recorded declines in the month. NSW recorded the most notable fall (-4.0%) followed by Western Australia (-2.1%), Victoria (-1.4%) and South Australia (-0.8%).

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



Implications

- The decrease in approvals during the month was weaker than market expectations of a 2% 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 new order levels in the house and apartment building sectors.
- Housing approvals are likely to continue to face a range of headwinds, including household caution, uncertainty about the global economic outlook, “deleveraging” by households (or paying down debt) and continued weakness in loans for new construction. House prices have also fallen over the past year reflecting subdued demand in the housing sector. However, the interest rate cuts by the RBA in November and December of last year should improve borrower sentiment and provide support to both housing values and conditions in the house building sector.