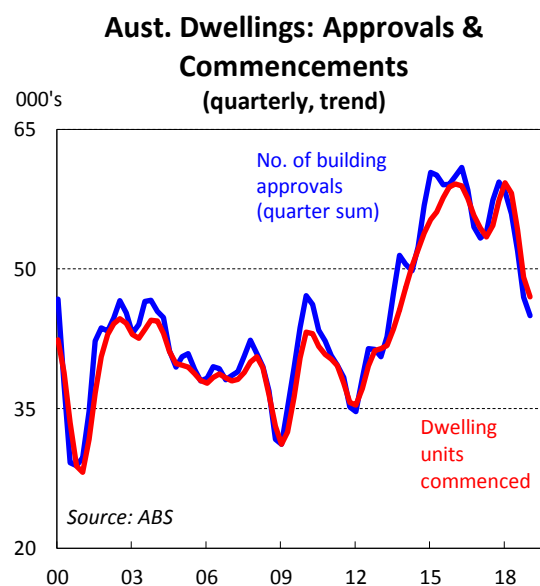
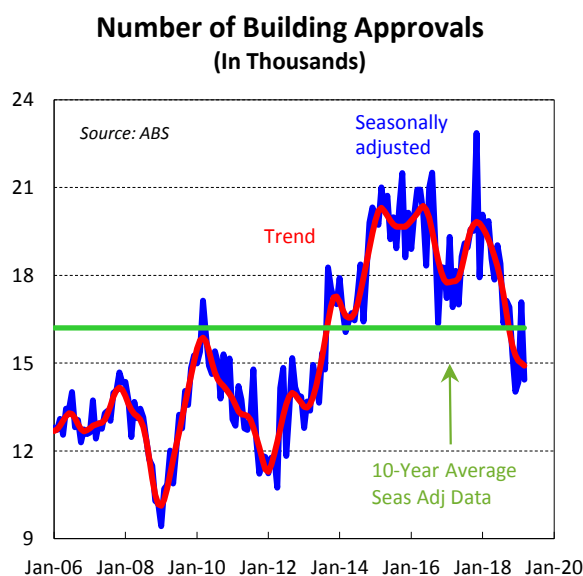


Building Approvals Downward Trend Resumes

- Building approvals unsurprisingly retreated in March dropping 15.5%, and mostly reversing a 19.1% surge in February. The number of approvals has fallen back to below the 20-year average. Today's data confirms that the jump in February was a one-off and that the downward trend in approvals remains intact.
- The large swings in recent months were driven by the 'other' approvals category, which includes apartments, particularly in NSW and Victoria.
- Approvals in both private sector 'other' and private sector houses sit significantly below their recent peaks, down 55.8% and 17.9%, respectively.
- Building approvals in all States stood below their long-run average except for Tasmania. It corresponds with Hobart's outperforming housing market.
- Looking through recent volatility, the downward trend in building approvals remains intact. It continues to point to dwelling investment dragging on economic growth this year. While there have been some tentative signs of stabilising, indicators continue to suggest that housing conditions remain weak. The downturn in housing continues to be one of the key downside risks to the domestic economy.



Building approvals unsurprisingly retreated in March, dropping 15.5%, mostly reversing a 19.1% surge in February. The number of approvals has fallen back to below the 20-year average.

Today's data confirms that the jump in February was a one-off and that the downward trend in approvals remains intact.

The large swings in recent months were driven by the 'other' approvals category, which includes apartments, particularly in NSW and Victoria. Private sector other dwellings declined 30.6% in March, following a 64.5% gain in February.

Meanwhile, private sector approvals for houses have been on relatively steady decline, dropping in four out of the last five months. The weakness is consistent with other housing indicators which point to soft conditions. In March, approvals for private sector houses declined 3.2%, after a 3.4% fall in February.

Approvals in both private sector 'other' and private sector houses sit significantly below their recent peaks, down 55.8% and 17.9%, respectively.

By State

NSW and Victorian approvals led the decline over March, offsetting sizeable gains in February. NSW Approvals fell 27.4% in March, following a 26.8% gain in February. In Victoria, approvals dropped 27.0%, following a 38.0% lift in February.

Approvals also fell in Queensland (-2.4%) and South Australia (-2.0%). Western Australia (4.8%) and Tasmania (18.6%) were the only States where approvals increased.

Building approvals in all States stood below their long-run average except for Tasmania. It corresponds with Hobart's outperforming housing market.

Outlook

Looking through recent volatility, the downward trend in building approvals remains intact. It continues to point to dwelling investment dragging on economic growth this year.

While there have been some tentative signs of stabilising, indicators continue to suggest that housing conditions remain weak. The downturn in housing continues to be one of the key downside risks to the domestic economy.

Janu Chan, Senior Economist
Ph: 02-8253-0898

Contact Listing

Chief Economist

Besa Deda

dedab@bankofmelbourne.com.au

(02) 8254 3251

Senior Economist

Janu Chan

chanj@bankofmelbourne.com.au

(02) 8253 0898

The Detail

The information contained in this report ("the Information") is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom Bank of Melbourne has a contract to supply Information, the supply of the Information is made under that contract and Bank of Melbourne's agreed terms of supply apply. Bank of Melbourne does not represent or guarantee that the Information is accurate or free from errors or omissions and Bank of Melbourne disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to Bank of Melbourne products and details are available. Bank of Melbourne or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. Bank of Melbourne owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of Bank of Melbourne.

Any unauthorised use or dissemination is prohibited. Neither Bank of Melbourne- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.
