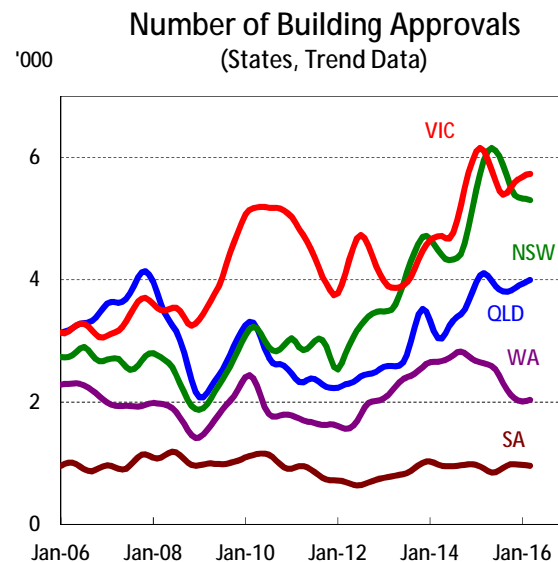
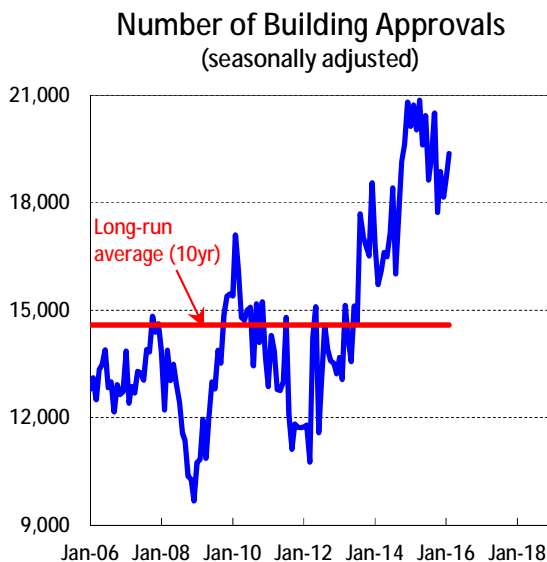


## Building Approvals

### Building Bonanza Not Over Yet

- Building approvals rose 3.7% in March, defying consensus and our expectations for a 2.0% fall. It followed a 2.9% increase in February, and provides another sign that housing activity remains buoyant.
- Despite two consecutive months of increases, approvals are still 7.1% down from their peak in May 2015. Approvals continue to suggest that residential construction is near or passed a peak.
- All States witnessed a lift in approvals in March, with the exception of Tasmania. An upward trend is in place for Victoria, Queensland, Western Australia and the ACT.
- While residential construction may be near a peak, it appears to be plateauing rather than undergoing a more pronounced downturn. This is an encouraging sign for the economic growth outlook, although dwelling investment is still likely to have a less favourable impact on economic growth this year, in comparison to 2015.



Building approvals rose 3.7% in March, defying consensus and our expectations for a 2.0% fall. It followed a 2.9% increase in February, and provides another sign that housing activity remains buoyant.

Despite the two consecutive months of increases, approvals are still 7.1% down from their peak in

May 2015. They however, remain elevated and continue to suggest that residential construction will maintain at a high level.

On an annual basis, approvals were down 6.5% over the year.

The sector breakdown revealed both houses and other dwelling gained in the month. Approvals for private sector houses rose 2.6% in March, and were broadly flat over the year (-0.2%).

Approvals for private sector “other dwellings” lifted 6.7% in March, and were down 11.5% in the year.

#### By State

All States witnessed a lift in approvals in March, with the exception of Tasmania (-18.7%). NSW (6.9%), Victoria (3.7%), Queensland (5.7%), South Australia (8.7%) and Western Australia (7.3%) all saw healthy gains in approvals in the month. Approvals in all these State sit above their long-run averages.

An upward trend is in place for Victoria, Queensland, Western Australia and the ACT. However, on an annual basis (in trend terms), approvals are down over the year in NSW, (-10.9%), Victoria (-6.2%), Queensland (-2.7%), Western Australia (-22.6%) and the Northern Territory (-31.0%). South Australia (5.4%) and the ACT (56.8%) were the only States or territories where approvals were higher over the year in trend terms.

#### Outlook

Approvals continue to indicate that residential construction is near or passed a peak. That said, there is still evidence of healthy demand for housing given ongoing low interest rates and firm population growth. This suggests that residential housing construction will be well supported over the remainder of 2016.

Moreover, while residential construction may be near a peak, it appears to be plateauing rather than undergoing a more pronounced downturn. This is an encouraging sign for the economic growth outlook, although dwelling investment is still likely to have a less favourable impact on economic growth this year, in comparison to 2015.

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