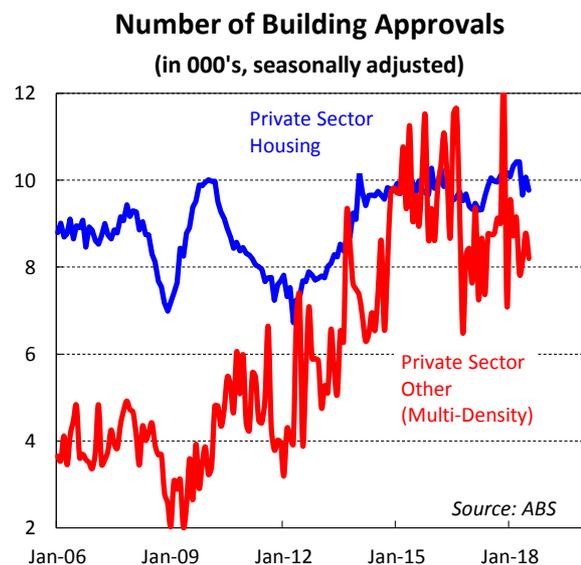
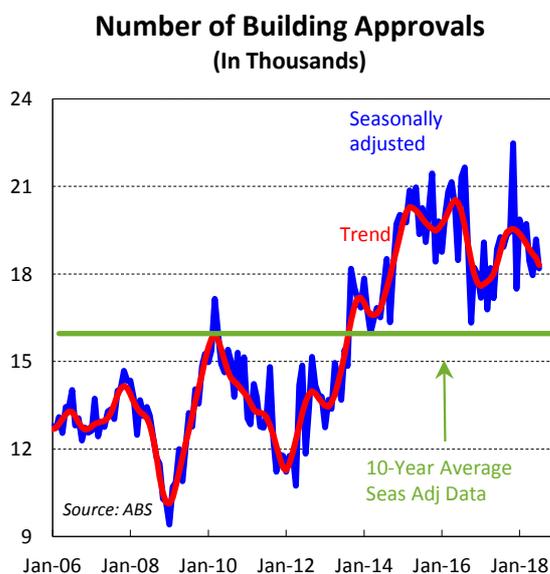


Building Approvals Shifting Down a Gear

- Building approvals fell 5.2% in July, almost retracing the 6.8% increase in June. It still leaves the number of approvals in the month elevated, but approvals are now 16.0% lower than their August 2016 peak. The downturn in housing market is making its way through to building activity.
- There was broad weakness across States. Building approvals declined in all States, with the exception of Tasmania.
- The level of approvals sits well above the long-run average and indicates residential construction activity will remain elevated over the next 12-18 months.
- Auction clearance rates, a slowdown in house prices and weaker lending data suggest that housing activity will continue to soften, and will continue to feed through to weaker residential construction. That said, a downturn in housing will be mitigated by strong population growth and a firm labour market.



Building approvals fell 5.2% in July, almost retracing the 6.8% increase in June. It still leaves the number of approvals in the month elevated (at 18,185), but approvals are now 16.0% lower than their August 2016 peak. The downturn in housing prices is making its way through to building activity.

The usually volatile “other” category (which includes apartments and townhouses etc.) of building approvals for the private sector drove the decline in July, falling 6.6%. However, approvals for private sector houses also fell, dropping 3.0%.

By State

There was broad weakness across States. Building approvals declined in all States, with the exception of Tasmania (where approvals rose 13.6%). Approvals in NSW (-5.2%), Victoria (-4.6%), Queensland (-6.0%), South Australia (-26.5%) and Western Australia (-14.7%) all declined in July.

On an annual basis in trend terms, which looks through month-to-month volatility, there was weakness in NSW (-11.7%), Western Australia (-11.6%), Victoria (-1.1%) and Queensland (-1.9%). South Australia (6.7%), the ACT (89.7%), and Tasmania (25.7%) were higher over the year, while in the Northern Territory, approvals were flat.

Outlook

Approvals remain above the long-run average level, suggesting that residential construction will stay elevated over the coming 12 to 18 months. Nonetheless, the outlook is for approvals to soften further. Moreover, today’s data provides stronger evidence that residential construction is turning for single-standing houses and in Victoria, which have held up relatively well of late. Auction clearance rates, a slowdown in house prices and weaker lending data suggest that housing activity will continue to soften, and will continue to feed through to weaker residential construction activity. That said, a downturn in housing will be mitigated by strong population growth and a firm labour market.

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The Detail

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