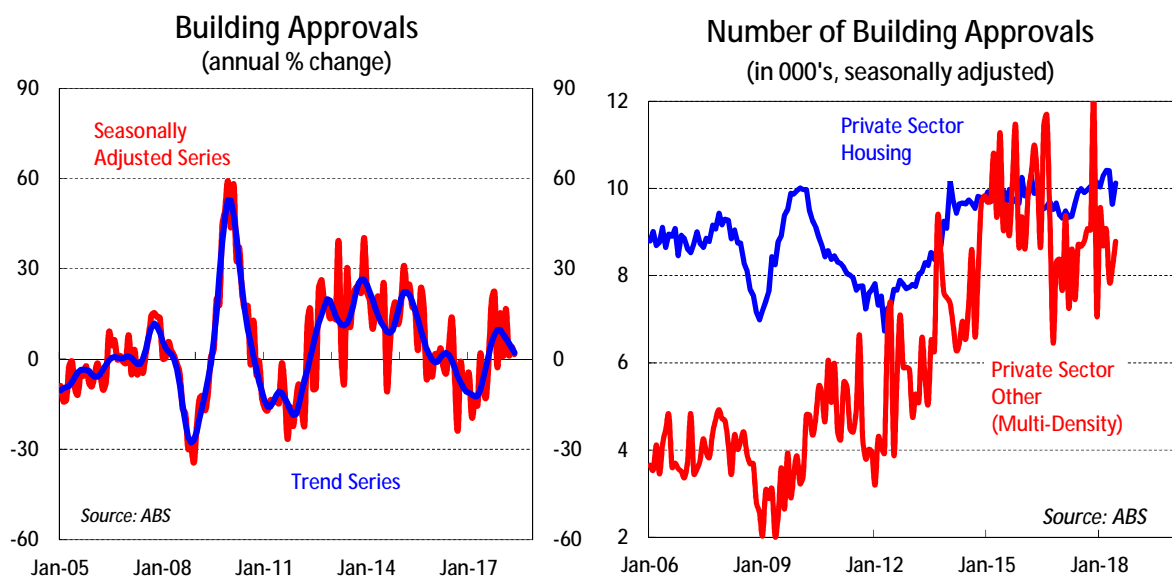


## Building Approvals QLD Throws the Cat Among the Pigeons

- Building approvals bounced 6.4% in June nationwide, driven by a recovery in Queensland building approvals. Building approvals in the Sunshine State bounced nearly 38% in June.
- 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.
- Nonetheless, the outlook for building approvals is softer, reflecting weakness in other housing indicators. Strong population growth and robust employment gains will not be enough to halt the softening trend in building approvals.



Building approvals bounced 6.4% in June nationwide, driven by a recovery in Queensland building approvals. It is the largest monthly percentage gain in five months and the third gain in six months.

Approvals in the private sector rose for both houses and the other segment (apartments, townhouses, etc). Private-house approvals rose by 5.0% in June, taking the annual rate to 2.0% growth. Private other approvals jumped 7.2% in June, taking the annual rate to 0.9% growth.

There is a lot of volatility in the approvals data month to month. Trend data tries to look through this volatility. In trend terms, total building approvals rose by 0.1% in June, after five straight months of declines. On a year ago, trend building approvals are 2.1% higher. This annual pace is the lowest in nine months.

The level of approvals sits well above the long-run average and indicates there is plenty of residential construction still to take place.

Alterations & additions activity (i.e. renovations) sunk 10.1% in June, after a 6.1% rise in May. Over the past six months, renovation activity has stabilised at a high level.

#### By State

Queensland approvals surged 37.7% in June, more than reversing a fall of 25.8% in May. It was the biggest monthly gain since September 2015 and highly influenced the overall result in both May and June.

WA, NSW and Tasmania also recorded rises in the month of 4.8%, 3.3% and 3.0%, respectively. Meanwhile, Victoria and South Australia recorded declines of 9.6% and 15.9%, respectively.

#### Outlook

Approvals remain above the long-run average level, suggesting that residential construction will remain elevated over the coming 12 to 18 months. Nonetheless, the outlook for building approvals is softer, reflecting weakness in other housing indicators. These indicators include auction rates, house prices, pre-sales activity and lending. Strong population growth and a firm labour market are providing some support to the housing market, but it won't be enough to halt the downturn in housing.

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