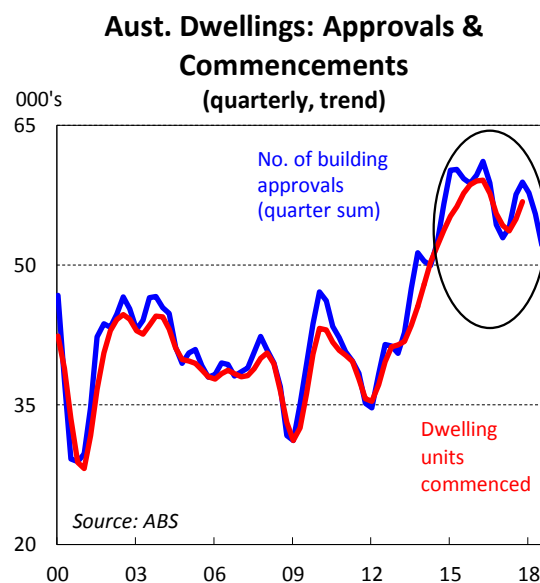
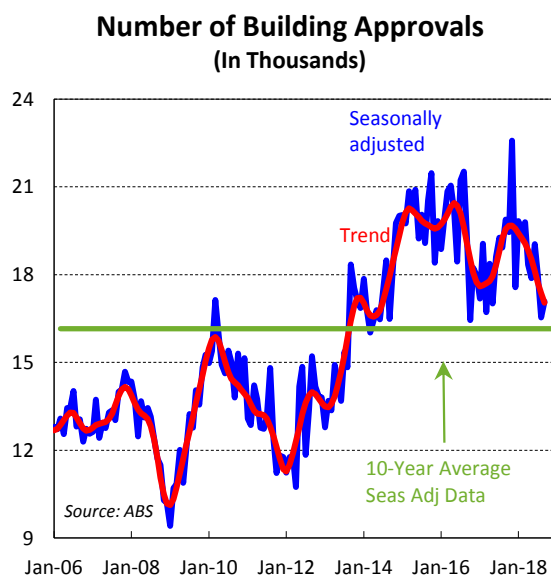


## Building Approvals Still Trending Downwards

- Building approvals partly recovered, rising 3.3% in September, following two consecutive months of decline. On an annual basis, approvals are down 14.1% in the year to September.
- Despite the increase in the month of September, a downward trend remains intact. Approvals are continuing to hold at just above their long-year average, and suggest that residential construction is set to remain elevated over the near-term by historical standards.
- Approvals of apartments in Victoria led the increase. In Victoria, total approvals rose 30.5% in September, which included a more than doubling of 'other' approvals in the State. There was weakness across all other States in September, except for South Australia.
- Despite the small increase in September, approvals are trending downwards. Moreover, the detail is showing broad-based weakness outside of approvals of Victorian apartments. With housing prices continuing to correct and the risk that home lending will soften further, a larger slowdown in approvals and in residential construction continues to seem inevitable. The current downturn in housing however, will be mitigated by strong population growth and a firm labour market.



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Despite the increase in September, a downward trend remains intact. Approvals are continuing to hold at just above their long-year average, and suggest that residential construction is set to

remain elevated over the near-term by historical standards. Nonetheless, the impact of weakening housing demand and falling house prices highlights a strong risk that residential construction activity will continue to soften further.

The breakdown by sector points to approvals for private sector other dwellings (which includes apartments and townhouses etc.), driving the overall gain, which jumped 9.2% in September. Meanwhile, approvals for private sector houses weakened for the third consecutive month falling 2.7% in September.

### **By State**

Approvals of apartments in Victoria led the increase. In Victoria, total approvals rose 30.5% in September, which included a more than doubling of 'other' approvals in the State. There weakness across all other States in September, except for South Australia where approvals rose 7.8%. Approvals in NSW (-6.8%), Queensland (-10.5%) and Western Australia (-19.0%) declined.

On an annual basis in trend terms, which looks through month-to-month volatility, approvals were lower in the year for most States and territories. They were down in NSW (-16.7%), Victoria (-17.5%), Western Australia (-17.1%), the Northern Territory (-20.6%) and South Australia (-8.2%). The ACT (64.2%) and Tasmania (11.2%) were exceptions, both rising in the year.

### **Outlook**

Despite the small increase in September, approvals are trending downwards. Moreover, the detail for the month is showing broad-based weakness outside of approvals of Victorian apartments. With housing prices continuing to correct and the risk that home lending will soften further, a larger slowdown in approvals and in residential construction continues to seem inevitable. The current downturn in housing however, will be mitigated by strong population growth and a firm labour market.

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