



## Summary

### Monthly % Change (Trend):

Queensland:	↑	2.4%
Australia:	↑	1.4%

- Total dwelling approvals in Queensland rose 2.4% in June 2006, but remained 2.3% lower over the year.
- In seasonally adjusted (sa) terms, national dwelling approvals rose 1.6% in June, stronger than the market expectation of a modest 0.2% rise for the month.

## Analysis

Growth in Queensland's trend number of private house approvals moderated slightly to 1.1% in June, but represented the seventh consecutive monthly rise. In comparison, the trend number of private other residential approvals (units, townhouses etc.) increased 5.5% over the month, stronger than the 5.3% growth in May and the fourth consecutive monthly rise. Nevertheless, it should be noted that trend growth in other residential approvals remains strongly influenced by a 54.9% sa rise in May 2006.

In annual terms, total approvals declined 2.3% in June, although the rate of decline has moderated over recent months, from a recent low of 6.3% in both February and March 2006. Approvals for private houses remained solid in Queensland, rising 4.6% over the year, reflecting continued demand for owner-occupied housing, which in-turn is partly driven by continued strong population growth. In comparison, despite strengthening over recent months, other residential approvals continued to trend lower over the year to June, declining 14.4%.

Looking ahead, several factors remain supportive of dwelling construction activity in Queensland over the near-term. These include the recovery in trend building approvals, a near-record value of residential work yet to be done, annual growth in finance approvals for the construction of new dwellings and the strongest annual population growth in Australia. In addition, housing credit growth, at a national level, has been accelerating over recent months, while labour market conditions remain tight and support consumer confidence.

The main risk to the longer-term outlook for the dwelling sector remains the potential impact of changes in monetary policy. At today's Board meeting, the Reserve Bank of Australia is widely

tipped to raise the official cash rate to 6.0%, following the 0.25% point increase in May 2006. However, the impact of any further monetary policy tightening may take some time to flow through to the dwelling sector, with considerable time lags usually experienced between the raising of interest rates and dwelling activity.

**Table 1: Dwelling Approvals, June 2006**

	Monthly % change	
	Qld	Aust
<b>Trend</b>		
Total No. Residential Approvals:	2.4	1.4
Private Sector Houses	1.1	0.1
Private Other Residential Buildings	5.5	4.5
<b>Seasonally Adjusted</b>		
Total No. Residential Approvals:	3.9	1.6
Private Sector Houses	2.8	-4.5
Private Other Residential Buildings	4.2	13.3
	Annual % change	
<b>Trend</b>		
Total No. Residential Approvals:	-2.3	-3.7
Private Sector Houses	4.6	-3.1
Private Other Residential Buildings	-14.4	-4.6
<b>Seasonally Adjusted</b>		
Total No. Residential Approvals:	4.0	-7.5
Private Sector Houses	6.1	-10.5
Private Other Residential Buildings	0.4	-0.4

**Table 2: Dwelling Approvals (trend), States, June 2006**

States/Australia	monthly % change	annual % change
<b>Queensland</b>	<b>2.4</b>	<b>-2.3</b>
New South Wales	3.4	-9.7
Victoria	0.4	-8.0
South Australia	1.3	8.7
Western Australia	-1.0	10.7
Tasmania	3.5	9.6
<b>Australia</b>	<b>1.4</b>	<b>-3.7</b>

**Chart 1: Building approvals, Queensland (number, monthly, trend)**

