



Summary

Monthly % Change (Trend):

Queensland:	↑	2.0%
Australia:	↑	2.4%

- Total dwelling approvals in Queensland rose 2.0% in July 2006, to be 1.5% higher over the year.
- In seasonally adjusted terms, national dwelling approvals increased 8.3% in July, much stronger than the market expectation of a modest 0.8% rise for the month.

Analysis

The trend number of private house approvals in Queensland increased 0.6% in July 2006, the eighth consecutive monthly rise, while private other residential approvals (units, townhouses etc.) rose 5.3%, the fifth consecutive monthly rise.

After declining in each month since September 2005, total approvals in annual terms rose 1.5% in July. Growth in approvals for private houses remained solid in Queensland, rising 4.8% 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 July, declining 4.1%.

At a national level, total building approvals appear to have turned around in July, with total approvals increasing 3.1% over the year. This increase follows 25 consecutive months in which total building approvals have declined in annual terms (Chart 1).

While the main risk to the longer-term outlook for the dwelling sector remains the impact of recent tightening of monetary policy, most of the fundamentals remain supportive of dwelling construction in Queensland. With the strongest annual population growth of any state in Australia, underlying demand for new housing stock remains strong in Queensland. More importantly, the recent housing boom did not see an over-supply of housing in the state, as occurred in previous cyclical upswings. In addition, labour market conditions remain strong and supportive of consumer confidence, with the trend unemployment rate falling to 4.5% in July 2006, the lowest rate recorded in the 28 years of the current ABS *Labour Force* series.

Other factors that suggest solid dwelling activity in the State going forward include a near-record value of residential work yet to be done, annual growth in finance approvals for the construction of new dwellings and housing credit growth, at a national level, rising 14.0% over the year to July 2006.

Table 1: Dwelling Approvals, July 2006

	Monthly % change	
	Qld	Aust
Trend		
Total No. Residential Approvals:	2.0	2.4
Private Sector Houses	0.6	0.3
Private Other Residential Buildings	5.3	7.2
Seasonally Adjusted		
Total No. Residential Approvals:	0.6	8.3
Private Sector Houses	-0.3	4.9
Private Other Residential Buildings	1.3	15.4
Annual % change		
Trend		
Total No. Residential Approvals:	1.5	3.1
Private Sector Houses	4.8	-1.2
Private Other Residential Buildings	-4.1	14.7
Seasonally Adjusted		
Total No. Residential Approvals:	-7.1	9.1
Private Sector Houses	1.4	1.1
Private Other Residential Buildings	-21.1	27.2

Table 2: Dwelling Approvals (trend), States, July 2006

States/Australia	monthly % change	annual % change
Queensland	2.0	1.5
New South Wales	3.1	-6.2
Victoria	4.0	6.8
South Australia	0.9	10.9
Western Australia	0.0	13.7
Tasmania	3.3	16.7
Australia	2.4	3.1

Chart 1: Building approvals (annual % change, trend)

