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Weak April Update for Building Approvals

ABS Building Approvals figures for April provide a weak update regarding future new home building activity said that the Housing Industry Association, the voice of Australia's residential building industry.

HIA Chief Economist, Dr Harley Dale said that a very weak April result for detached house building approvals, where they reached their lowest level since May last year, reinforced the importance of keeping interest rates on hold today.

"Detached house approvals fell by 13.9 per cent in April. Detached house approvals have been losing momentum for some time, although monthly levels remained quite high, and have now experienced a large decline that was widespread across states and territories.

"While such a savage monthly fall is likely to be partially reversed in May, there is the possibility that the still reasonable levels of approvals evident through the March 2010 quarter merely reflected catch-up from the bottlenecks in approvals processes observed in 2009.

"Placing today's building approvals result alongside recent weak updates for other leading housing indicators highlights the risk that once the impact of past stimulus measures ends, residential construction activity may slow.

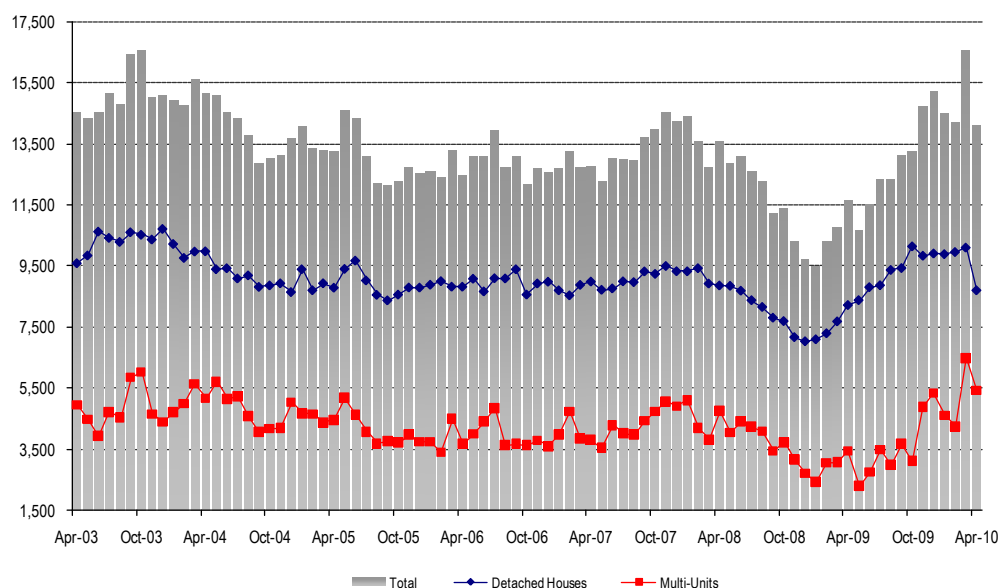
"That would be a very detrimental outcome for the Australian economy in the face of a dire shortage of new residential stock," Harley Dale said.

Approvals for 'Other dwellings' were down by 16.4 per cent in April. This followed a 53 per cent surge in March and therefore the April update was a reasonable one.

"The Federal Government's Social Housing Initiative is playing a significant part in driving the current upward trend in non-detached dwelling approvals," said Harley Dale.

In April 2010 the number of seasonally adjusted residential dwelling approvals fell by 26.3 per cent in New South Wales, 18.3 per cent in Victoria, 2.1 per cent in Queensland, 22.5 per cent in South Australia, 15.5 per cent in Western Australia, and 0.8 per cent in Tasmania. In trend terms, building approvals fell by 1.1 per cent in the Northern Territory but increased by 4.3 per cent in the Australian Capital Territory.

Australia - Monthly Dwelling Approvals
Source: ABS Building Approvals



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