

Building cycle remains muted

30 July 2008

Author:

Dr Alex Joiner
Economist

**ANZ Property and Financial
Systems Research**

Paul Braddick
Head of Property and Financial
System Research
+61 3 9273 5987
Paul.Braddick@anz.com

Ange Montalti
Senior Economist
+61 3 9273 6288
Ange.Montalti@anz.com

Dr Alex Joiner
Economist
+61 3 9273 6123
alex.joiner@anz.com

Stephanie Wayne
Research Analyst
+61 3 9273 4075
Stephanie.Wayne@anz.com

Our Vision:

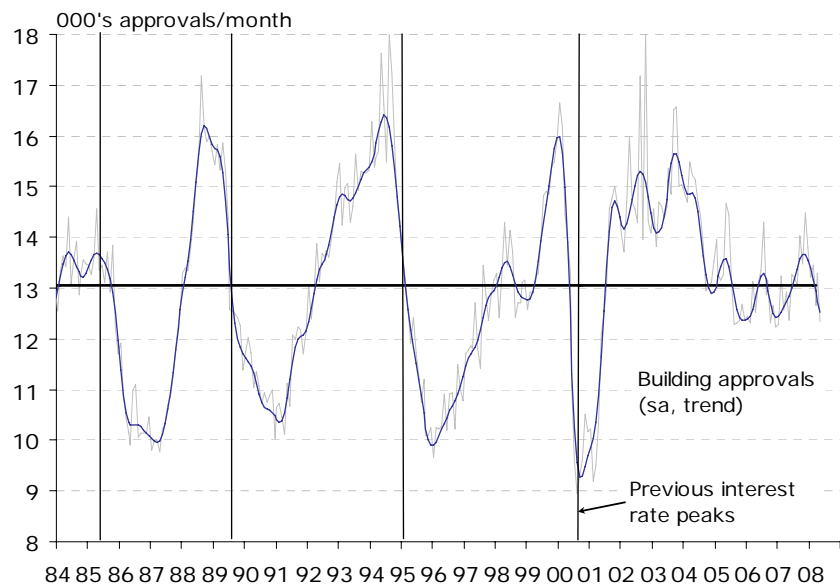
For ANZ Economics and Markets Research to be the most respected, sought-after and commercially valued source of economics and markets research and information on Australia, New Zealand, the Pacific and Asia.

Australian building approvals (June)

- The total number of dwelling approvals decreased by 0.7% in June. Private sector house approvals were flat in the month. Private sector other dwelling approvals fell by 1.4%.

Building approvals fell marginally by 0.7% in June. Despite this, we anticipate any further downward trend in building approvals will be relatively shallow and that numbers will most likely continue to fluctuate around current trend levels. This is due to strong demand for housing offsetting the dampening impact of higher interest rates. As a result, it can be expected that the softening of dwelling investment in coming quarters will have only a marginal impact on the slowing of domestic demand that is necessary to lower the inflation rate.

Figure 1: Australian building approvals



Source: ABS, RBA, ANZ

After easing off highs experienced in 2003, building approvals have moved within a relatively tight range of 12,250 to 14,500 per month for the last three years. This is in line with the long term average of around 13,000 approvals per month. We have not seen, and do not expect to see, the depth of the trough historically experienced when a peak in monetary policy is reached (around 10,000 per month). This is due to demand for housing reaching unprecedented level as the population expands at a rapid rate and the dwelling shortage in Australia becomes more acute (now estimated to be approaching around 200,000 homes).

Of the states, approvals in NSW continue to trend downwards, falling 1.8% in trend terms. NSW continues to significantly under perform all other states, posting approval levels at near 25-year lows. Approvals in Victoria were relatively stable, posting a 0.1% increase, whereas QLD continued to fall sharply (-2.1%). However, levels in these states still remain at, or above, long term averages. In South Australia, approvals were up 2.4%, continuing to perform solidly and are at trend levels not seen since the mid-1980's. The results in other states and territories were mixed: Tasmania recorded a decrease (-4.2%), as did Western Australia (-2.9%) and the Northern Territory (-6.4%). Approvals in the ACT spiked 17.4%.



Important Notice

Australia and New Zealand Banking Group Limited is represented in:

AUSTRALIA by:

Australia and New Zealand Banking Group Limited ABN 11 005 357 522

14th Floor 100 Queen Street, Melbourne, Victoria, 3000, Australia

Telephone +61 3 9273 6224 Fax +61 3 9273 5711

UNITED KINGDOM by:

Australia and New Zealand Banking Group Limited

ABN 11 005 357 522

40 Bank Street, Canary Wharf, London, E14 5EJ, United Kingdom

Telephone +44 20 3229 2121 Fax +44 20 7378 2378

UNITED STATES OF AMERICA by:

ANZ Securities, Inc. (Member of NASD and SIPC)

6th Floor 1177 Avenue of the Americas

New York, NY 10036, United States of America

Tel: +1 212 801 9160 Fax: +1 212 801 9163

NEW ZEALAND by:

ANZ National Bank Limited

Level 7, 1-9 Victoria Street, Wellington, New Zealand

Telephone +64 4 802 2000

This document ("document") is distributed to you in Australia and the United Kingdom by Australia and New Zealand Banking Group Limited ABN 11 005 357 522 ("ANZ") and in New Zealand by ANZ National Bank Limited ("ANZ NZ"). ANZ holds an Australian Financial Services licence no. 234527 and is authorised in the UK by the Financial Services Authority ("FSA").

This document is being distributed in the United States by ANZ Securities, Inc. ("ANZ S") (an affiliated company of ANZ), which accepts responsibility for its content. Further information on any securities referred to herein may be obtained from ANZ S upon request. Any US person(s) receiving this document and wishing to effect transactions in any securities referred to herein should contact ANZ S, not its affiliates.

This document is being distributed in the United Kingdom by ANZ for the information of its market counterparties and intermediate customers only. It is not intended for and must not be distributed to private customers. In the UK, ANZ is regulated by the FSA. Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the FSA.

This document is issued on the basis that it is only for the information of the particular person to whom it is provided. This document may not be reproduced, distributed or published by any recipient for any purpose. This document does not take into account your personal needs and financial circumstances. Under no circumstances is this document to be used or considered as an offer to sell, or a solicitation of an offer to buy.

In addition, from time to time ANZ, ANZ NZ, ANZ S, their affiliated companies, or their respective associates and employees may have an interest in any financial products (as defined by the Australian Corporations Act 2001), securities or other investments, directly or indirectly the subject of this document (and may receive commissions or other remuneration in relation to the sale of such financial products, securities or other investments), or may perform services for, or solicit business from, any company the subject of this document. If you have been referred to ANZ, ANZ NZ, ANZ S or their affiliated companies by any person, that person may receive a benefit in respect of any transactions effected on your behalf, details of which will be available upon request.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable. The views expressed in this document accurately reflect the author's personal views, including those about any and all of the securities and issuers referred to herein. The author however makes no representation as to its accuracy or completeness and the information should not be relied upon as such. All opinions and estimates herein reflect the author's judgement on the date of this document and are subject to change without notice. No part of the author's compensation was, is or will directly or indirectly relate to specific recommendations or views expressed about any securities or issuers in this document. ANZ, ANZ NZ, ANZ S, their affiliated companies, their respective directors, officers, and employees disclaim any responsibility, and shall not be liable, for any loss, damage, claim, liability, proceedings, cost or expense ("Liability") arising directly or indirectly (and whether in tort (including negligence), contract, equity or otherwise) out of or in connection with the contents of and/or any omissions from this communication except where a Liability is made non-excludable by legislation.

Where the recipient of this publication conducts a business, the provisions of the Consumer Guarantees Act 1993 (NZ) shall not apply.