

Australia economic update

Building approvals

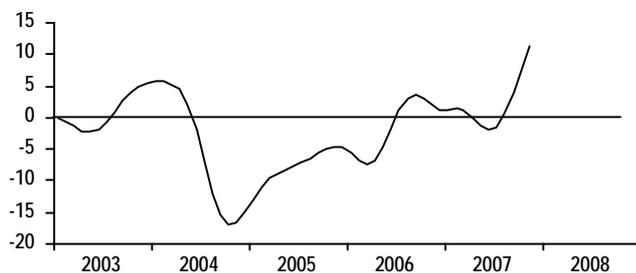
The total number of building approvals was inflated by a surge in apartments

Building approvals for the month of November bounced 8.9%/m (JPMorgan 3.2%, consensus 0.0%), after a downwardly revised 3.6%/m fall in October. The lion's share of the monthly increase was driven by a 30%/m increase in the number of apartments approved. The total number of houses approved over the month rose just 0.2%/m. Unfortunately, the building approvals series is notoriously volatile; and it is therefore difficult to gauge any true direction in the housing market from month to month movements. The trend series, however, is showing clear signs of improvement (chart), after faltering mid-way through last year. Although the trend in building approvals is likely to plateau over the next few months - as interest rates increase, the availability of credit remains tight, and investors exercise caution - JPMorgan expects building approvals to pick up again into year end.

Most of the jump in building approvals came out of NSW, which recorded a massive 67%/m increase over the month. The huge November month more than offset the 15% decline recorded in October. The NSW gain was supported by strong rebounds in building approvals in Adelaide and Perth (up 22% and 14% respectively). The gains in Adelaide and Perth merely gave back the declines recorded in October (-19% and -14% respectively).

Australia: building approvals trend

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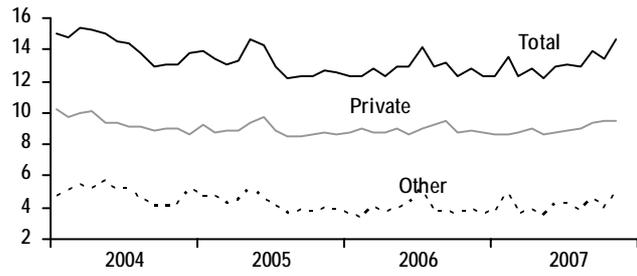
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Economic Research
January 8, 2008

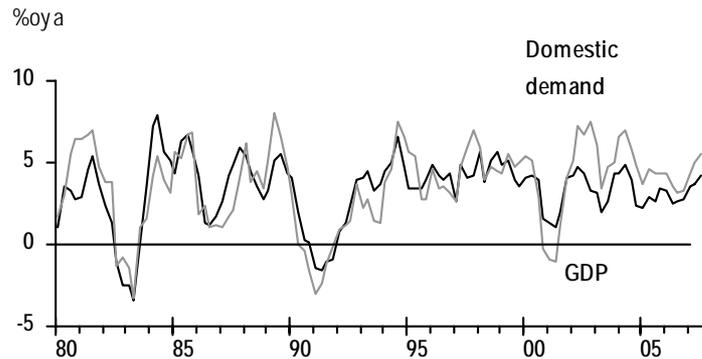


Australia: building approvals

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Australia: growth in GDP and domestic demand



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