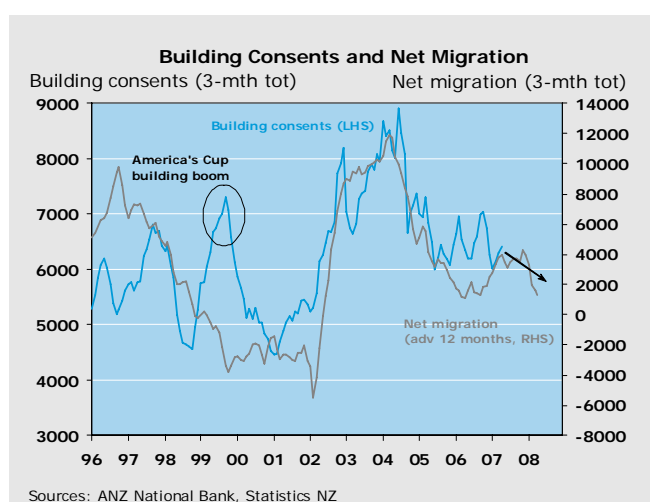


## BUILDING CONSENTS ISSUED – APRIL 2007

### Key points

- Residential building consents posted a modest 0.7 percent increase in April. On an ex-apartment basis, consents rose 2.2 percent in the month. Both came after falls in March.
- The value of non-residential consents, on a trend basis, continues to decline. However, the level remains elevated and there is still a strong pipeline of activity in the construction sector.
- The only interest for the Reserve Bank from today's data is the increase in construction cost, up 3.8 percent in April over March (based on a three month average) to be 10 percent higher compared to a year ago – pointing to sticky housing-related inflation for some time.
- Tomorrow's National Bank *Business Outlook* survey remains the key read heading into next week's Reserve Bank decision.

	Residential Building Consents (m/m%)		Ex-apartment Consents (m/m%)		Value of non-residential Consents (m/m%)
	s.a.	Trend	s.a.	Trend	Trend
Jul-06	10.5	2.9	10.8	1.8	1.4
Aug-06	3.7	1.6	2.3	1.0	0.7
Sep-06	4.0	-0.4	0.6	0.1	-0.1
Oct-06	-5.7	-2.3	-1.2	-0.6	-0.7
Nov-06	-11.3	-3.0	-4.8	-0.9	-1.5
Dec-06	-4.0	-2.4	2.9	-0.7	-1.4
Jan-07	4.7	-1.0	-3.9	-0.2	-1.3
Feb-07	7.0	0.4	6.2	0.2	-1.3
Mar-07	-1.9	0.9	-3.0	0.4	-0.4
Apr-07	0.7	1.5	2.2	0.5	-3.5



### Assessment and implications

**Residential building consents posted a modest recovery in April following a decline in March.** On an ex-apartment basis, the monthly increase, at 2.2 percent, was stronger than the 0.7 percent increase in the headline number. However, the rise in ex-apartment consents came off a larger decline in the previous month. The number of consents issued has averaged around 2,100 for the first four months of this year, slightly lower than the 2,200 averaged over the last six months of 2006.

**On a trend basis, the number of residential consents (both total and ex-apartment) appears to have been increasing over the past few months, though it is too early to confirm a change in direction at this stage.** Judging by the easing in net migration inflows, which provide a reasonable leading indicator of consent issuance, modest declines in consent numbers can be expected over the months ahead. The current level of net migration points to an underlying consent issuance of 1,900 a month compared to this year's average of 2,100. However, increases in building consents fees coming into force from July in some councils suggests a small surge in consent issuance can be expected over May and June as builders try to submit plans to beat the fee rise.

**The value of non-residential consents continues to trend down, though the actual level remains elevated.** There is still a strong pipeline of activity in the construction sector, and recent increases in infrastructure spending announced in the 2007 *Budget* mean the sector will continue to operate at close to full capacity for some time.

**There are only limited implications from today's data for the Reserve Bank's OCR decision next week.** The only point of interest is the increase in construction costs, as measured by the value of residential consents per square metre. These are up 3.8 percent in April over March (based on a three month average) and 10 percent higher compared to a year ago – pointing to sticky housing related inflation for some time.

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