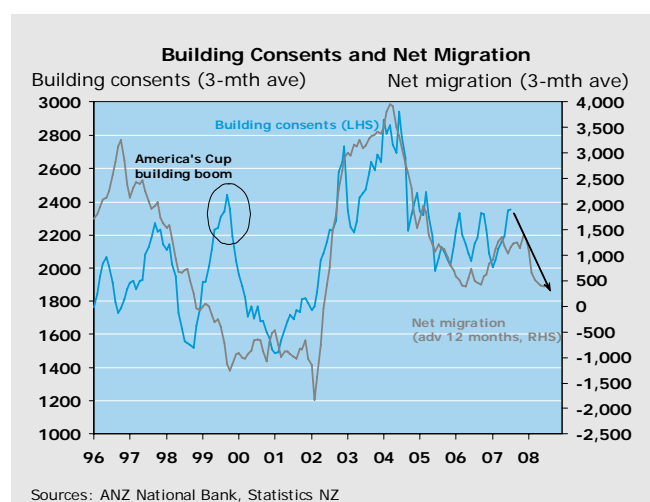


## BUILDING CONSENTS ISSUED – JULY 2007

### Key points

- Residential building consents fell sharply in July, but this merely reversed June's strength which was inflated by builders trying to beat council fee increases.
- The number of consents remains close to the average issued over the first half of this year.
- Non-residential consents issuance remains strong, with the monthly trend still rising.
- Easing net migration and a slowing housing market point to further moderation in residential consent issuance over the remainder of this year.
- The record dairy payout should see activity in the rural regions pick up.
- There are limited implications for the Reserve Bank from today's release. The Bank will likely take some comfort from the fall in the value of dwelling consents per square metre.

	Residential Building Consents (m/m%)		Ex-apartment Consents (m/m%)		Value of non-residential Consents (m/m%)
	s.a.	Trend	s.a.	Trend	Trend
Oct-06	-4.6	-2.2	-0.9	-0.6	-0.8
Nov-06	-11.1	-3.0	-4.8	-1.0	-1.0
Dec-06	-4.2	-2.8	3.0	-0.8	-0.8
Jan-07	4.9	-1.1	-3.9	-0.2	0
Feb-07	6.5	1.7	6.3	0.6	0.7
Mar-07	-1.4	3.3	-2.9	1.1	1.1
Apr-07	1.1	3.4	2.4	1.2	1.5
May-07	4.9	2.7	2.6	1.0	1.8
Jun-07	14.2	2.0	0.3	0.7	2.3
<b>Jul-07</b>	<b>-15.5</b>	<b>1.2</b>	<b>-1.4</b>	<b>0.7</b>	<b>0.8</b>



### Assessment

**Residential building consents fell in July, pulling back from the strong June number.** The June surge was in large part due to builders rushing to get their applications in prior to council fee increases which came into effect from 1 July 2007. This was most noticeable in the increase in the number of apartment consents in June. The 15.5 percent decline in consents for July was largely due to a fall in apartment consents, with ex-apartment consents posting a more modest 1.4 percent decline. The number of consents for July, at 2,160, is close to the average consent issuance over the first half of this year and down from the 2,270 average over the second half of last year.

**The value of non-residential consents remains strong.** A total of \$353 million worth of non-residential consents was issued in July, slightly higher than the \$334 million averaged over the first half of this year. On a trend basis, the value of non-residential consents has been rising since January this year though the rate of growth eased in July.

**Looking forward, we expect further moderation in residential building consent issuance over the remainder of this year.** The easing in net migration and the slowdown currently underway in the housing market point to a step down in the number of consents issued from the current 2,200 level towards 1,800-2,000 by late this year/early next year. Such moderation will see residential investment subtract from growth. But a record dairy payout should see activity in the rural regions pick up, especially consents for farm buildings.

**Today's data will have limited implications for the Reserve Bank.** However, the Bank will likely take some comfort from the easing in the 3-month average value of consents per square metre – a broad measure of construction costs. This showed a 1.1 percent decline in July, following a 1.8 percent fall in June. The Reserve Bank will be hoping that this decline in the value of consents per square metre continues, and is ultimately reflected in the CPI data.

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