

BUILDING CONSENTS ISSUED – NOVEMBER 2006

Key points

- After four strong months, residential building consents fell 12 percent in November. Ex-apartment consents fell 5 percent. Non-residential consents continue to trend up strongly.
- While the decline in consents will provide some comfort to the Reserve Bank, the overall level of activity will remain a concern.
- Following on from the softer GDP data late last year, the tenor of data is not printing consistently strong across the board, and we expect this to be borne out in data over the coming week.
- Given the tenor of data, coupled with falls in petrol prices, and the higher NZD, we expect the Reserve Bank to remain on hold at its 25 January *OCR Review*. However, the talk is expected to remain tough.

The headlines

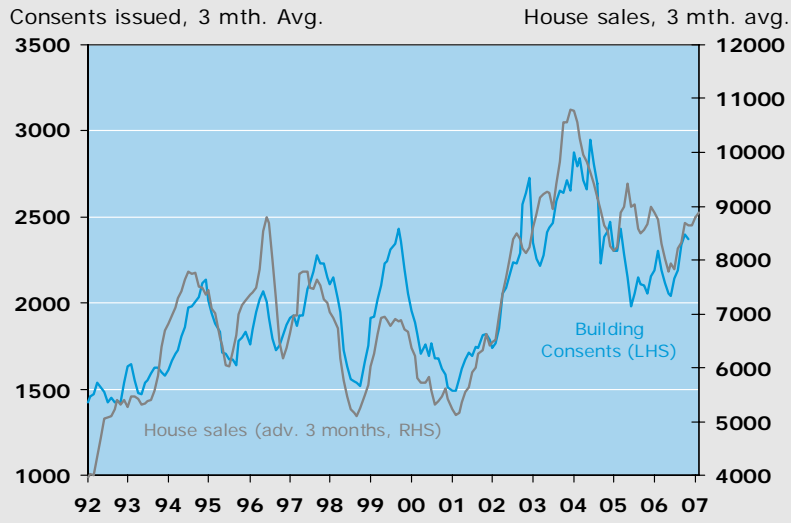
	Levels	Monthly s.a. ch	Annual % change
Number of residential consents	2,057 (s.a.)	-11.9%	2.7%
Value of residential consents	\$667m	n/a	3.7%
Value of non-residential consents	\$376m	n/a	-16.6%

- **The number of residential building consents fell 12 percent in November after four relatively strong months.** New dwelling consents ex-apartments fell 5 percent. While falling in November, consent issuance remains high in trend terms at 2,270.
- **The trend value of non-residential consent issuance continues to increase, though the rate of growth has been easing over recent months.** Consents worth \$376 million were issued in November. The largest increase came from office and administration buildings (up \$55 million), while hostel and boarding houses had the largest decrease (down \$35 million).
- **Costs per square metre looks to be stabilising.** While the three month average of costs per square metre (indicator of construction costs) was up 9 percent on a year ago – and is indicative of strong growth in construction costs (which are up 6.2 percent on a year ago in the September quarter), we note that the more timely three month average versus the preceding three months actually fell slightly. While we remain coy about reading too much into this, we nonetheless take such stabilisation as encouraging in terms of where the trend for construction costs may be headed in H2 2007.

Assessment and implications

- **Despite today's large fall in residential building consents, both the level of consents and the monthly trend measure remains high.** The fall in building consents in November was largely driven by a significant fall in apartment consents issued and this series is extremely volatile on a monthly basis. The number of dwelling consents less apartments fell by only 5 percent and represents a period on consolidation after four strong months of issuance.
- **The tenor of the data is not printing consistently strong across the board.** The Reserve Bank explicitly put in a rate hike in their December *Monetary Policy Statement* implying that if things came in as expected then they would hike rates in January and underpinning the Reserve Bank's track was an explicitly optimistic view of growth. With housing market data printing strongly end of last year, many saw the chance of a hike as certain. However, not all data has printed consistently strong across the board. September quarter GDP was far weaker than the Bank expected and with historical downward revisions, this implies a lower level to the Bank's output gap calculations. Today's data release also illustrates this point and our expectation is for this theme to continue over coming weeks starting with the CPI next Wednesday. We find it difficult to envisage the Bank hiking rates when there is not an overly consistent reflationary theme developing in the data at present and inflation expected to fall below 3 percent. In this environment we expect the talk to remain tough and data provided in February (jobs, confidence, the path chosen by the RBA, and the NZD) to be key.

Building consents and house sales



Sources: ANZ National Bank; Statistics NZ, REINZ

Important Notice

Australia and New Zealand Banking Group Limited is represented in:

AUSTRALIA by:

Australia and New Zealand Banking Group Limited ABN 11005 357 522
10th Floor 100 Queen Street, Melbourne 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
Minerva House, PO Box 7, Montague Close, London, SE1
9DH, United Kingdom
Telephone +44 20 7378 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 Victoria Street, Wellington, New Zealand
Telephone +64 4 802 2000

In Australia and the UK, ANZ Investment Bank ("ANZIB") is a business name of Australia and New Zealand Banking Group Limited, ABN 11 005 357 522 ("ANZ Bank"), which holds an Australian Financial Services licence no. 234527 and is authorised in the UK by the Financial Services Authority ("FSA"). In New Zealand, ANZ Investment Bank is a business name of ANZ National Bank Limited WN / 035976 ("ANZ NB").

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

This document is being distributed in the United Kingdom by ANZ Bank 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 Bank is regulated by the FSA. Nothing here excludes or restricts any duty or liability to a customer, which ANZ Bank 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 Bank, ANZ NB, ANZSI, 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 Bank, ANZ NB, ANZSI 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. The author's compensation will, be based upon, among other factors, the overall profitability of ANZ, including profits from investment banking revenues.

ANZ Bank, ANZ NB, ANZSI, 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.