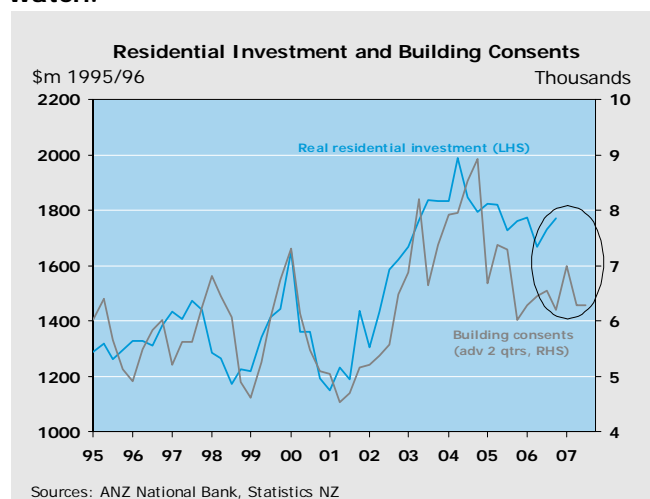


## BUILDING CONSENTS ISSUED – MARCH 2007

### Key points

- Residential building consents fell 2.9 percent in March and 3.1 percent on an ex-apartment basis.
- On a trend basis, the number of building consents continues to decline, though at a slower rate.
- The value of non-residential consents is up 12 percent compared to a year ago, and remain at an elevated level.
- Based on the consents data, residential investment should continue to ease over the second half of this year though non-residential investment will hold up at a high level.
- There are limited monetary policy implications from today's release although construction price inflation remains disconcerting.
- Indicators of housing market activity and consumer spending - specifically the REINZ housing market data and retail sales - remain the key data to watch.

	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	10.7	3.1	10.5	2.0	1.3
Aug-06	3.5	1.8	1.8	1.2	0.7
Sep-06	4.2	-0.2	0.7	0.3	-0.1
Oct-06	-5.2	-2.2	-1.1	-0.5	-0.6
Nov-06	-11.4	-2.9	-4.8	-0.8	-1.2
Dec-06	-4.0	-2.6	2.9	-0.8	-1.0
Jan-07	4.2	-1.6	-4.0	-0.5	-1.1
Feb-07	6.4	-0.6	6.1	-0.2	-1.1
Mar-07	-2.9	-0.1	-3.1	-0.1	0.4



### Assessment and implications

**The number of residential building consents remains low by recent standards.** Residential building consents fell by 2.9 percent in March, partly unwinding the 6.4 percent increase recorded in February. When the more volatile apartment issuance is removed, residential consents fell 3.1 percent. The level of residential building consents have averaged around 2,100 per month over the first three months of this year, compared to over 2,200 per month over the last six months of last year. The value of non-residential consents was \$413 million in March, up 12 percent compared to a year ago.

**The monthly trend for residential consent issuance continues to fall, although the rate of decline has slowed.** The monthly trend for residential consents fell by 0.1 percent in March and is the seventh consecutive monthly trend decline. The non-residential consents trend increased by 0.4 percent in March and is the first increase recorded since August 2006. Based on this consent data, residential investment should continue to ease over the second half of this year though non-residential investment will hold up at a high level and partly offset the expected easing in residential construction activity.

**There are limited monetary policy implications from this release, although increasing construction prices will continue to concern the Reserve Bank.** Construction prices, proxied by the value of consents per square metre, are up 1.2 percent in March over February (based on a 3-month moving average) and up 8.4 percent on a year ago. The Q1 CPI release coupled with other inflation nuances we are receiving suggests inflation is becoming broader based. Continued increases in construction prices will continue to place upward pressure on non-tradable inflation and keep the Reserve Bank on alert. However, the full impact of the March and April OCR hikes as well as the increases in fixed lending rates will not be seen in the dataflow until late May or early June. Indicators of housing market activity and consumer spending - specifically the REINZ housing market data and retail sales - remain the key data to watch.

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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

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