

### **Substantial drop in building plans passed**

For a while now, we have been suggesting that the building industry looked as though it might buck the trend of softness witnessed in other sectors of the economy. However, in recent months building plans passed data have become increasingly negative. This deteriorating pattern continued into May. Even plans for additions and alterations fell.

The decline in growth can be ascribed to a number of factors. Firstly, May this year contained two fewer working days than May last year on which to process building applications. Secondly, interest rates began to rise for the first time in six years in January this year. The January increase has now been followed up by a further increase of 0.25% in July.

Unfortunately, the pattern of declining plans passed was replicated in respect of building plans completed, i.e. actual building activity.

Far from being one of the data growing areas of economic activity, it appears as though prospects for the building industry have taken a turn for the worse in recent months. This trend forms part and parcel of a deterioration occurring throughout the economy. It appears as if the building industry might be set to resume its lagging characteristic, i.e. responding to deteriorating business conditions over time rather than instantaneously.

*Source : Econometrix 18/07/2014*