

Economic Analysis

Dwelling Approvals January 2024

Dwelling approvals declined a seasonally adjusted 1.0% in January, against the market expectations of a 4.0% increase. The December decline was stronger than initially estimated (-10.1% against -9.5%).

Dwelling approvals in January were at the lowest level since April 2023 and comparable to levels from 12 years ago.

The trend growth estimate, which looks through the monthly volatility, returned to negative territory, declining by 1.3%.

Seasonally Adjusted, %	MoM	YoY
Total Dwelling Approvals	-1.0	4.8
Private Dwellings	0.3	5.0
- Houses	-9.9	-4.7
- Dwellings Ex Houses	19.5	22.6

The decline in dwelling approvals was driven by private sector houses, which saw a 9.9% drop in seasonally adjusted terms and declined by 2.1% in trend terms.

Approvals for dwellings other than houses bounced 19.5%, after plunging 24.9% in December, in seasonally adjusted terms. However, they continued to fall slightly in trend terms (-0.2%).

States

In seasonally adjusted terms, dwelling approvals were mixed across states, with sharp falls in New South Wales (14.9%), Victoria (9.8%) and South Australia (7.2%).

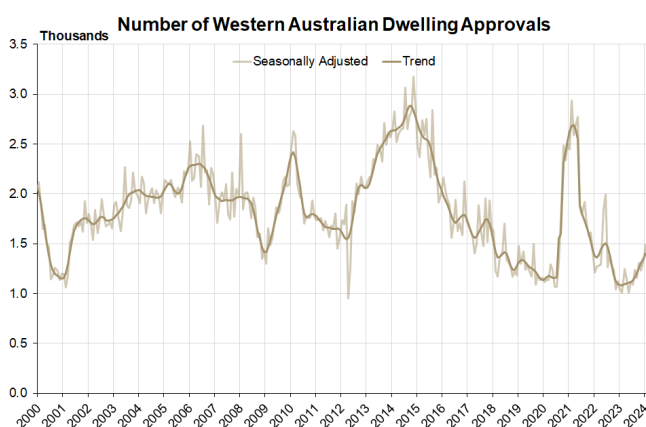
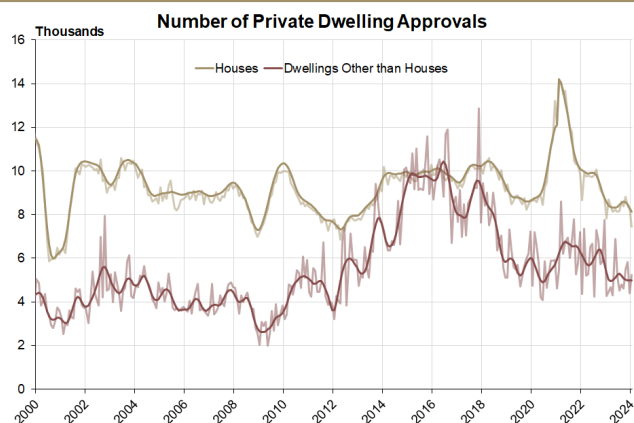
Permits increased in the other states, including Western Australia (11.4%). Western Australia was also one of two states where trend approvals growth remained positive (3.4%). Queensland saw the strongest rise of 31.8%, led by apartment approvals.

Seasonally Adjusted (%)	MoM	YoY
Western Australia	11.4	41.8
New South Wales	-14.9	5.2
Victoria	-9.8	0.7
Queensland	31.8	0.4
South Australia	-7.2	-5.7
Tasmania	5.1	22.2

Private sector house approvals fell across all the mainland states, both in seasonally adjusted and trend terms (the estimate for Tasmania is not published).

The strongest seasonally adjusted declines were in Victoria (-16.7%) and New South Wales (-13.1%).

Western Australian private sector house approvals declined by 7.3% in seasonally adjusted terms and were down just 0.5% in trend terms, the smallest trend decline of all mainland states.



Comment

While dwelling approvals can be especially volatile in January, they remain weak by any measure, with both private house and unit approvals close to 12-year lows.

Approvals have been dragged down by relatively high interest rates, high prices and uncertainty over build times. There was also a significant amount of demand pulled forward by low interest rates and government grants during the pandemic. Capacity constraints mean much of this work is yet to be completed, despite a significant amount of work in the pipeline.

Subdued housing supply along with high immigration has put significant upward pressure on house prices and rents.

The January dwelling approvals report is just another piece of evidence that supply imbalance is likely to be with us for some time.

It is this imbalance that has helped drive the rebound in home prices, which continues into 2024. The most recent CoreLogic data suggest that house price growth re-accelerated in February.

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