

Economic Analysis

Dwelling approvals jumped a seasonally adjusted 20.6% in May (exp. 3.0%), following a revised 6.8% fall in April (originally -8.1%).

The annual rate of decline in dwelling approvals slowed to 9.8% from 18.7% in April.

Seasonally Adjusted, %	MoM	YoY
Total Dwelling Approvals	20.6	-9.8
Private Dwellings	21.0	-9.0
- Houses	0.9	-15.3
- Dwellings Ex Houses	59.4	-0.1

The rebound in dwelling approvals in May was driven by a 59.4% jump in multi-dwelling approvals, which reflected a big rise in apartment approvals in New South Wales.

Private sector house approvals edged up 0.9% after a 3.0% decline in April to be down 15.3% YoY.

Monthly trend growth in total dwelling approvals, which looks through the monthly volatility, climbed to 0.8% from -0.1% in April.

States

Dwelling approvals were higher in all states but Western Australia and South Australia in May, led by New South Wales where apartment approvals drove a 52.9% rise.

Seasonally Adjusted (%)	MoM	YoY
Western Australia	-11.1	-48.1
New South Wales	52.9	52.6
Victoria	15.0	-22.0
Queensland	0.9	-31.3
South Australia	-4.8	-4.9
Tasmania	41.1	-1.7

Private sector house approvals were lower in all mainland states in May except for a 7.3% increase in Victoria. Elsewhere, private sector house approvals were lower in South Australia (7.2%), Western Australia (-4.5%), New South Wales (-3.4%) and Queensland (-1.8%).

Non-Residential Building Approvals (Trend Value)

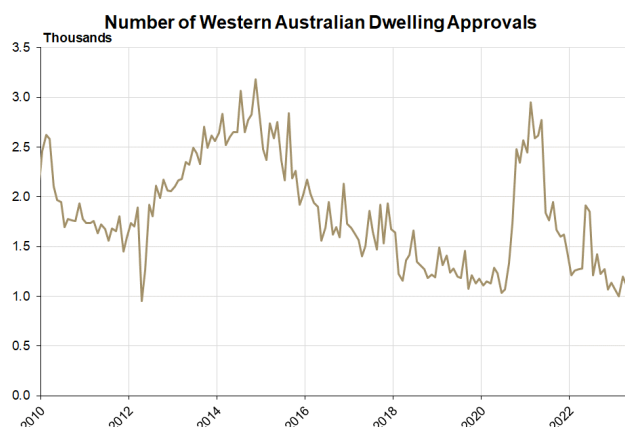
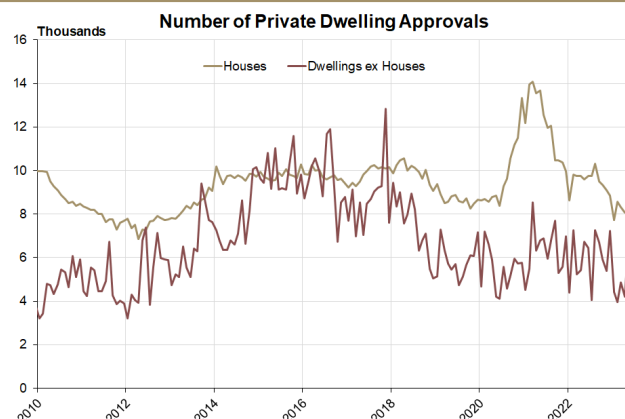
The value of non-residential building approvals rose by 4.6% in trend terms, to be up almost 27% through the year. Western Australia was the only mainland state where non-residential approvals were lower than they were a year ago.

Trend (%)	MoM	YoY
Western Australia	-5.7	-12.3
New South Wales	4.3	30.9
Victoria	-2.6	2.2
Queensland	10.6	53.4
South Australia	-1.8	38.0
Australia	4.6	26.9

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Dwelling Approvals May 2023



Comment

While the dwelling approvals were strong with total approvals picking up sharply in May, the rise was driven by a big increase in apartment approvals in New South Wales, with private sector house approvals remaining soft.

Although the increase in apartment approvals is a welcome development given the housing supply shortage across much of the country, those projects generally have long lead-times between approval and completion.

Private sector house approvals remain very subdued and are sitting at around decade lows. The ongoing decline in construction loans in May in the housing finance report released this morning suggests we are still some way from a turnaround in house approvals.

Despite the huge number of dwellings currently under construction, the low completion rates and subdued level of new approvals means housing supply is failing to keep up with demand, particularly given the ongoing surge in immigration. This dynamic has underpinned the rebound in house prices we've seen in recent months.

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