

Economic Analysis

Dwelling approvals declined a seasonally adjusted 1.9% in February, against market expectations for a 3.0% gain. The 2.5% decline in January was stronger than the initially-estimated 1.0% fall.

Looking through the monthly volatility, the decline in trend dwelling approvals accelerated 0.3ppts to 3.0%.

Seasonally Adjusted, %	MoM	YoY
Total Dwelling Approvals	-1.9	-5.8
Private Dwellings	-3.5	-6.8
- Houses	10.7	-1.3
- Dwellings Ex Houses	-24.9	-17.2

The decline in seasonally adjusted terms was due to a 24.9% drop in private multi-dwelling approvals (semi-detached and apartments) following a 15.4% rise in January, while private sector house approvals rose 10.7% after a 9.9% decline in the previous month.

However, in trend terms, approvals continued to fall both for private sector houses and multi-dwellings.

States

New dwelling permits rose in all states, except Queensland (-28.5%). The strongest monthly increase was recorded for New South Wales (+23.4%). Western Australian dwelling approvals picked up by 0.9%, taking the annual rate of growth to 53.7%, the strongest of all states.

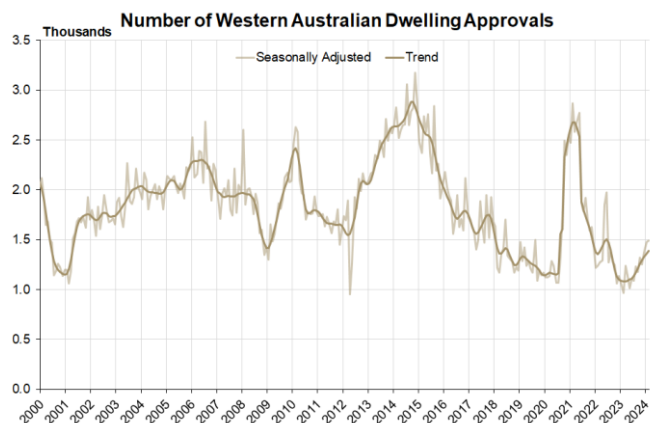
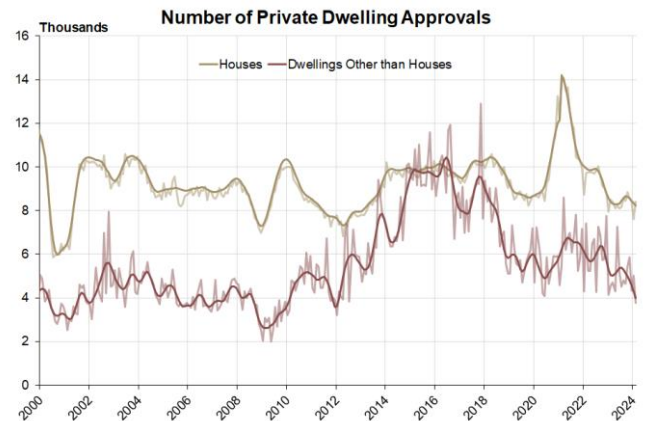
Western Australia was also the only state to see a positive trend growth rate in February (+2.0%).

Seasonally Adjusted (%)	MoM	YoY
Western Australia	0.9	53.7
New South Wales	23.4	10.1
Victoria	2.1	-7.5
Queensland	-28.5	-25.7
South Australia	15.4	-16.3
Tasmania	39.3	-22.0

Private sector house approvals rose in all states, with Western Australia seeing the largest increase of 20.7%. South Australia recorded the weakest gain of 2.0%.

The trend growth rate in private sector house approvals was negative for all states except Western Australia, which saw a 1.6% gain. The largest decline was registered for New South Wales (-2.3%).

Dwelling Approvals February 2024



Comment

The weakness in dwelling approvals continues, with housing supply continuing to trail the rapid rise in demand.

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 have meant that much of this work is yet to be completed, despite a significant amount of work under construction.

Subdued housing supply along with high immigration has put significant upward pressure on house prices and rents. According to CoreLogic data released on Tuesday, the national home price index rose 0.6% in March, with increases in all major capital cities except for Melbourne. Perth had the highest increase of 1.9% in the month and 19.8% YoY. The index for regional WA was up 2.1% in the month and 12.2% YoY.

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