

Economic Analysis

Dwelling approvals dropped a seasonally adjusted 27.6% in January, which was more than the 9.2% expected by the markets. This followed a downwardly revised 15.3% rise in December.

Seasonally Adjusted, %	MoM	YoY
Total Dwelling Approvals	-27.6	-8.4
Private Dwellings	-26.1	-8.0
- Houses	-13.8	-12.0
- Dwellings Ex Houses	-40.8	-0.3

The January plunge was broad-based and took dwelling approvals to the lowest level since July 2012.

Private house approvals fell 13.8% in January and were also the lowest since mid-2012. Dwellings other than houses, which have been exceptionally volatile of late, dropped 40.8%, the lowest since July 2022.

States

Dwelling approvals dropped in all states except for Queensland. The strongest declines were reported for New South Wales (49.0%) and Victoria (38.6%) following big increases in December. Western Australian approvals declined of 7.9%, with increases in multi-dwelling and public sector house approvals.

Seasonally Adjusted (%)	MoM	YoY
Western Australia	-7.9	-12.7
New South Wales	-49.0	-32.4
Victoria	-38.6	-5.6
Queensland	25.6	15.1
South Australia	-6.5	-0.4
Tasmania	-31.7	-40.3

There were strong declines in private sector house approvals across all states, with Western Australia seeing an 18.6% drop.

Non-Residential Building Approvals (Value)

The value of non-residential building approvals fell 25.6% in seasonally adjusted terms; however, this series is always very volatile and best looked at in trend terms.

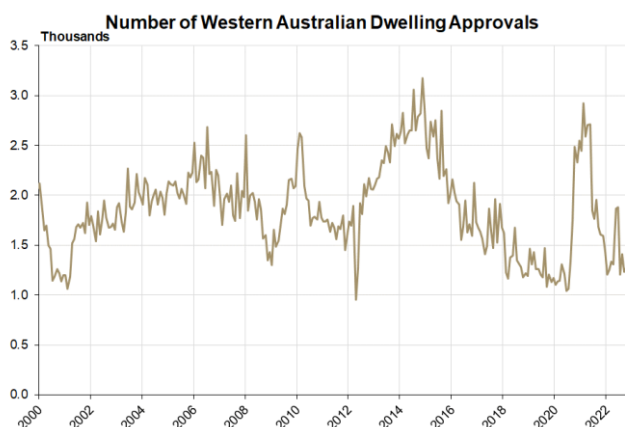
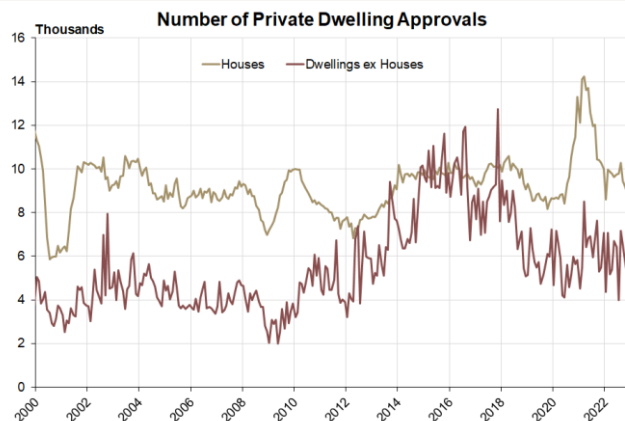
The trend estimate of the value of non-residential building approvals ebbed by 0.9%, to be just 5.2% down from its record high from March 2022, suggesting conditions remain relatively robust, but are possibly starting to turn. There were trend declines in all states except for Victoria and Queensland.

Trend (%)	MoM	YoY
Western Australia	-5.9	-14.4
New South Wales	-0.4	-3.5
Victoria	0.4	68.7
Queensland	5.9	7.5
South Australia	-4.7	-31.8
Australia	-0.9	-2.1

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Dwelling Approvals January 2023



Comment

The downward trend in dwelling approvals resumed in January and the drop was much stronger than expected. Not only was the downside surprise driven by a big fall in multi-dwelling approvals, but private sector houses also saw strong declines in building permits.

Despite approvals being at decade-long lows, the amount of work already in the pipeline suggests the housing construction industry is likely to remain busy until well into 2023.

The demand for new dwelling approvals is likely to face further downward pressure in the months ahead, as the impacts of interest rate increases gradually feeds through to housing demand, but this correction may be bumpy, also due to the diverging financial positions of individual households. The CoreLogic report released yesterday showed that home prices ebbed by 0.1%, as further declines across most capital cities were almost fully offset by increases in Sydney, driven by the top 25% of dwellings by value.

The ongoing interest rate hiking cycle by the RBA is likely to see further declines in approvals in the months ahead.

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