

Economic Analysis

Dwelling approvals ebbed a seasonally adjusted 0.1% in March, against market expectations of a 3.0% gain. This followed a downwardly revised gain of 3.9% in February (originally 4.0%).

Seasonally Adjusted, %	MoM	YoY
Total Dwelling Approvals	-0.1	-17.3
Private Dwellings	-0.2	-17.1
- Houses	-2.8	-15.0
- Dwellings Ex Houses	5.6	-20.9

The decline in dwelling approvals in March was driven by private sector houses, which saw a 2.8% drop.

Private sector dwellings excluding houses rose 5.6% in March, from a decade-long low reached in February.

Looking through those temporary volatilities, the trend of dwelling approvals continued to fall in March, for all categories, reaching a new decade low.

States

Dwelling approvals were mixed across states. There were declines in Tasmania, South Australia and Queensland. Tasmanian approvals nearly halved in March (-42.1%) after more than doubling in February, South Australia saw a near 20% drop (-19.1%) but this also followed a big rise in February. The decline in Queensland was more moderate (-6.7%)

Approvals rose in Western Australia, New South Wales and Victoria, with Western Australia registering the strongest gain (+27.2%), albeit from a decade-long low reached in February. Despite the March increase, Western Australian approvals remained low by historical standards.

Seasonally Adjusted (%)	MoM	YoY
Western Australia	27.2	-7.2
New South Wales	3.1	-25.9
Victoria	1.7	-15.5
Queensland	-6.7	-4.5
South Australia	-19.1	-6.0
Tasmania	-42.1	-9.6

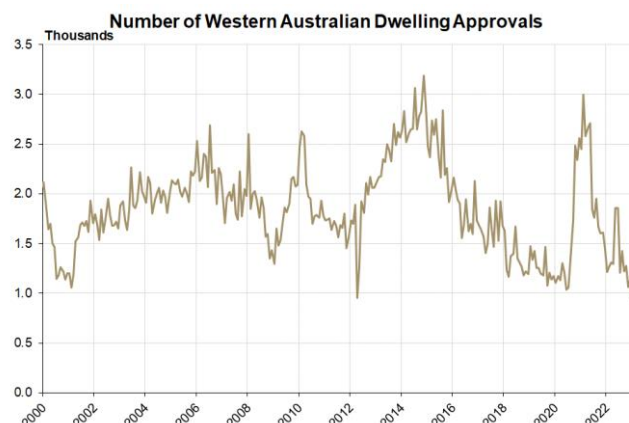
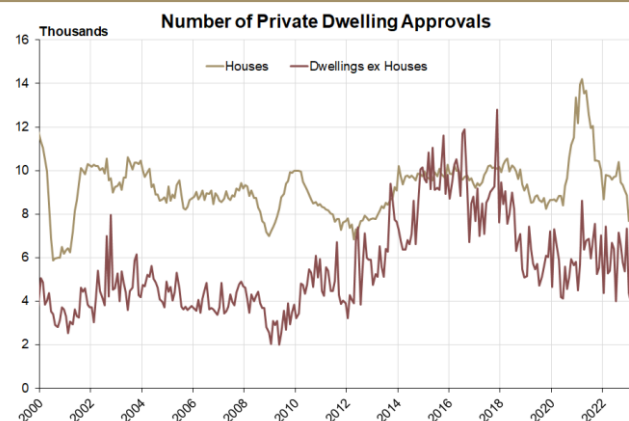
Western Australia was the only mainland state to register an increase in private sector house approvals (+8.7%).

Other states saw declines in building consents for private houses, ranging from -0.1% in South Australia to -4.0% in New South Wales.

Non-Residential Building Approvals (Trend Value)

The value of non-residential building approvals declined 0.4% in trend terms, with declines in Victoria (-10.0%) and Western Australia (-0.5%) and gains in other states. The strongest increase in trend terms was recorded in South Australia (+9.5%).

Dwelling Approvals March 2023



Comment

Dwelling approvals remain weak, suggesting that the supply of new dwellings will slump once the current high level of dwellings under construction are completed. Given the surge in population growth, this will add to supply shortages in the Australian housing market going forward, which is likely one reason behind the surprising rebound in house prices over the past couple of months.

Dwelling approvals are likely to remain under downward pressure in the months ahead, as the increase in interest rates continues to feed through the economy and constraints in the construction sector persist.

The NAB business survey for April, which was also released this morning, showed that capacity utilisation in the construction sector is the highest in at least five years and one of the highest of all industries (surpassed only by mining). At the same time, business conditions in construction are the weakest of all industries, weighed down by the margin squeeze.

In the latest Statement on Monetary Policy, the RBA has upgraded the outlook for housing demand, expecting only a marginal increase in dwelling investment this year. If this scenario materialises and new houses are added at the slow pace predicted, this will likely put further upward pressure on house prices.

8 MAY 2023

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