

Economic Analysis

Dwelling Approvals December 2022

Dwelling approvals surged a seasonally adjusted 18.5% in December, against the market expectations of a 1.0% gain. This followed an 8.8% drop in the previous month (revised from 9.0%).

Seasonally Adjusted, %	MoM	YoY
Total Dwelling Approvals	18.5	-3.8
Private Dwellings	17.2	-5.7
- Houses	-2.3	-11.7
- Dwellings Ex Houses	56.6	2.9

The December surge in building permits was driven by dwellings other than houses, which bounced 56.6% after a 21.8% drop in the previous month (revised from 22.7%). Private housing approvals declined by 2.3%.

Despite the December bounce, total dwelling approvals remained 3.8% down through the year and 29.5% off their record high from May 2021.

States

Dwelling approvals rose in all states, except for South Australia and Tasmania, which also saw the strongest YoY declines. The largest increases, driven by high-rise activity, were reported for New South Wales and Victoria, where the annual growth rate turned positive.

Seasonally Adjusted (%)	MoM	YoY
Western Australia	6.4	-20.4
New South Wales	48.4	8.3
Victoria	20.7	2.9
Queensland	8.3	-3.1
South Australia	-24.6	-24.0
Tasmania	-49.7	-33.7

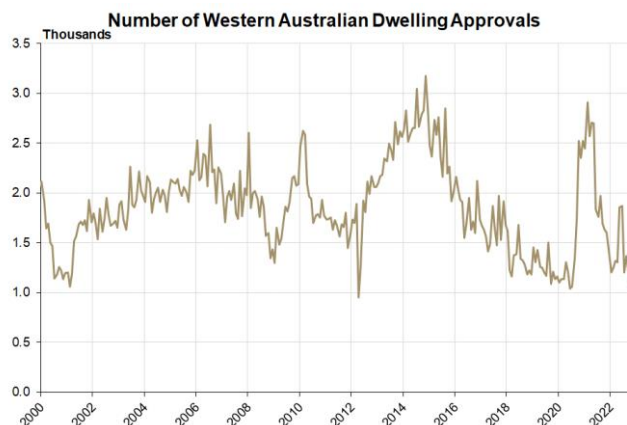
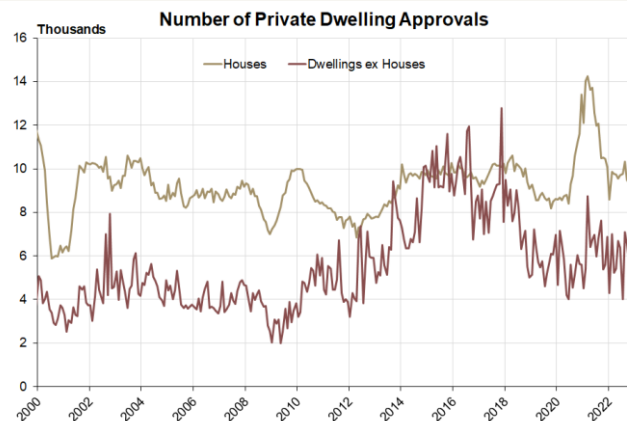
Western Australia saw a moderate 6.4% gain in the month and recorded the strongest increase in private sector housing approvals of all states (+8.2%).

Private house building consents were virtually unchanged in Victoria (+0.3%) and Queensland (+0.2%) and fell in other states.

Non-Residential Building Approvals (Value)

The value of non-residential building approvals remained strong, rising 2.2% in trend terms to be up by 10% through the year. However, there were trend declines in all mainland states except for a 6.1% gain in Victoria.

Trend (%)	MoM	YoY
Western Australia	-0.5	2.0
New South Wales	-0.3	4.7
Victoria	6.1	77.2
Queensland	-4.4	-11.5
South Australia	-0.2	-25.6
Australia	2.2	10.0



Comment

The December gain put the downward trajectory in total dwelling approvals on a temporary hold. Looking through the volatility, dwelling approvals still fell in trend terms (by 0.4%). However, the pace of decline has eased, thanks to a slightly positive trend in the volatile multi-dwellings segment.

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. According to the CoreLogic report released yesterday, home prices fell by another 1.1% nationwide in January, to be 8.9% below their peak. The potential reintroduction of the minimum floor level in the mortgage loan serviceability test, which was speculated about in the press earlier this week, would add to the downward pressure on housing demand.

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