Economic Analysis — Dwelling Approvals September 2022

The number of dwelling approvals fell a seasonally adjusted 5.8% in September (exp.: -10.0%), following an 23.1% rise in August.

Approvals continue to unwind from the boom driven by government homebuilder grants and record low interest rates.

Seasonally Adjusted, %	MoM	YoY
Total Dwelling Approvals	-5.8	-13.0
Private Dwellings	-5.4	-13.1
- Houses	-7.8	-10.4
- Dwellings Ex Houses	-1.8	-16.8

The decline in permits during September was driven by a sharp fall in private sector house approvals, which dropped 7.8% in the month. This was the biggest monthly decline since January but came after three consecutive increases.

Private multi-dwelling approvals, which are usually the volatile component of the release, were relatively steady with a 1.8% fall. However, this followed sharp swings in the previous two months driven by high-rise activity.

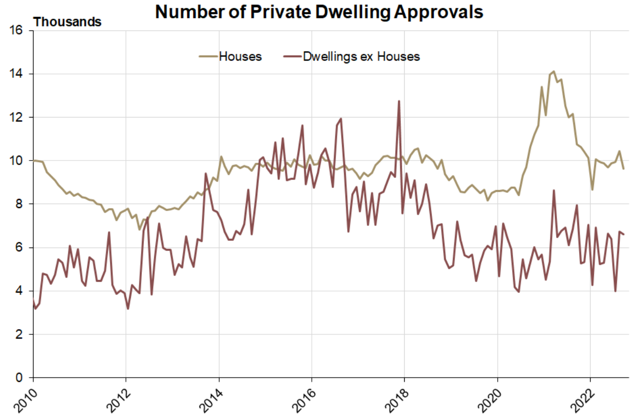
States

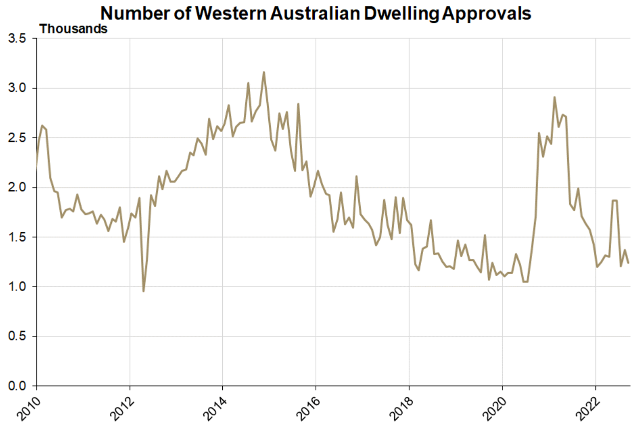
Approvals fell across all states apart from Victoria, which saw a 3.4% rise in the month, driven by an increase in the multi-dwelling segment of the market. Approvals fell across the remaining states, with South Australia seeing the heaviest fall.

Approvals fell 9.3% in Western Australia following a 13.4% rise in August.

Seasonally Adjusted (%)	MoM	YoY
Western Australia	-9.3	-27.4
New South Wales	-8.8	-11.4
Victoria	3.4	-6.6
Queensland	-6.2	-9.1
South Australia	-19.7	-12.8
Tasmania	-10.8	0.4

Private house approvals fell sharply across all mainland states, with Western Australia seeing the biggest fall of 11.4%. Queensland had the next biggest fall with 8.6%, followed by New South Wales (-7.9%), Victoria (-4.7%) and South Australia (-4.3%).





Comment

Despite the big decline in September, private sector house approvals have stabilised at a relatively high level over the course of 2022, following sharp declines over the final three quarters of 2021.

Multi-dwelling approvals remain choppy, as they generally are, but are tracking at roughly the same levels as in the immediate pre-COVID period.

The ongoing addition of new work has added to the pipeline of jobs that has tested the capacity of the building industry to deliver and driven a sharp rise in construction costs.

There is some anecdotal evidence that things are starting to ease up in the early stages of the building process, such as reports of declines in bricklaying rates. However, building times remain stretched and cost inflation high, suggesting severe bottlenecks remain.

While the lagged impact of RBA interest rate increases will put increasing downward pressure on the demand for new housing going forward, the amount of work in the pipeline (assuming it goes ahead) is likely to keep the construction sector busy until well into 2023.

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