

Dwelling approvals rose a seasonally adjusted 2.5% in January following a revised 8.1% fall in December (revised from -8.4%). This compares to the WATC forecast for a 2.0% decline and the market forecast for no change. Approvals were down 28.6% in YoY terms after being down 22.0% YoY in December. The trend estimate, which looks through the monthly volatility, was down 3.2% in the month and 27.0% lower YoY.

	Seasonally Adjusted	MoM	YoY
Total Dwelling Approvals		2.5%	-28.6%
Private Dwellings		2.3%	-28.5%
-Houses		2.1%	-6.6%
-Multi-dwelling		2.7%	-51.0%

States

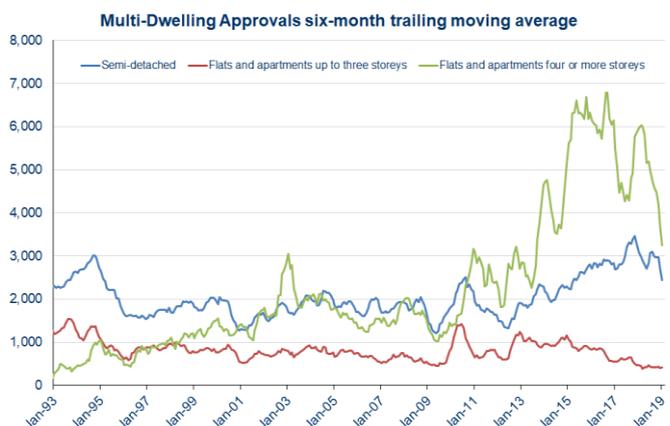
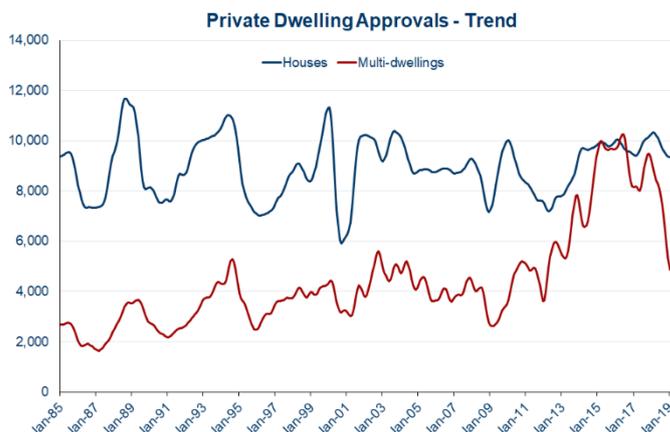
Results were mixed across the states with Western Australia recording the biggest seasonally adjusted monthly increase of 28.8%, while Victoria had the biggest fall of 7.9%. In annual terms, Tasmania is the only state where approvals are higher than a year ago, up 21.5% YoY, while Queensland had the biggest annual decline of 40.8% YoY.

	Seasonally Adjusted	MoM	YoY
Western Australia		28.8%	-9.0%
New South Wales		12.0%	-24.3%
Victoria		-7.9%	-35.9%
Queensland		-3.5%	-40.8%
South Australia		-1.5%	-9.6%
Tasmania		15.4%	21.5%

Non-Residential Building (Value)

The total value of non-residential building approvals, due to its volatile nature is probably best looked at in trend terms. The value of approvals rose 0.4% in trend terms in December, the fifth monthly rise in a row, but was 8.8% lower YoY. The monthly trend is strongest in Western Australia, with approvals seeing solid growth after the monthly trend hit a nine-year low in August 2018. Monthly and annual trend growth is weakest in South Australia.

	Trend	MoM	YoY
Western Australia		15.7%	-4.1%
New South Wales		-2.9%	1.7%
Victoria		0.0%	-4.9%
Queensland		3.9%	3.5%
South Australia		-6.8%	-53.7%
Australia		0.4%	-8.8%



Comment

Dwelling approvals rebounded in January in seasonally adjusted terms, though the trend remains well and truly negative.

With trend approvals down almost 29% on a year ago, the decline in residential construction work done in the last half of 2018 is set to not only continue, but to accelerate.

The slower credit growth and falling house prices accompanying the drop in activity are likely to be a major drag on household consumption as we move through 2019.

In the absence of a turnaround in the environment, a cash rate cut by the RBA at some point would be more likely than not.

5 MARCH 2019

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