

Dwelling approvals rose a seasonally adjusted 0.7% in May, after falling 3.4% in April (revised from -4.7%), this was better than the WATC forecast for a 2.0% decline and close to the market expectation for a flat result. Total approvals were down 19.6% from a year earlier. The driver of the increase in May was a 1.2% rise in private sector multi-dwellings, which more than offset a 0.3% fall in private sector house approvals. The trend estimate, which looks through the monthly volatility, was down 0.5% in the month and 20.9% lower YoY.

Seasonally Adjusted	MoM	YoY
Total Dwelling Approvals	0.7%	-19.6%
Private Dwellings	0.3%	-20.1%
-Houses	-0.3%	-12.7%
-Multi-dwelling	1.2%	-28.9%

### States

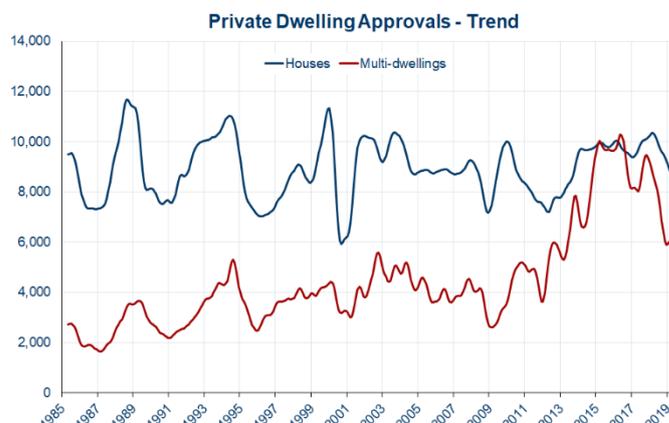
Across the states, Victoria (+14.4%) was the only state to see an increase in seasonally adjusted terms. Queensland (-6.3%) saw the biggest monthly decline. Approvals were lower across all states from a year earlier.

Seasonally Adjusted	MoM	YoY
Western Australia	-4.7%	-15.3%
New South Wales	0.0%	-18.8%
Victoria	14.4%	-24.1%
Queensland	-6.3%	-10.0%
South Australia	-2.9%	-41.3%
Tasmania	-1.2%	-5.1%

### 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 monthly rise was strongest in Queensland with a 3.5% increase, while approvals fell 9.1% in Western Australia. In annual terms, the value of non-residential approvals was higher across all the mainland states with the exception of South Australia.

Trend	MoM	YoY
Western Australia	-9.1%	15.3%
New South Wales	-0.6%	17.6%
Victoria	1.1%	2.4%
Queensland	3.5%	21.0%
South Australia	2.1%	-21.9%
Australia	0.3%	5.5%



### Comment

The trend in dwelling approvals appears to be stabilising following the big declines we saw in 2018, with the multi-dwelling segment steadying after approvals declined 43% from the mid-2016 peak. However, the less volatile private house segment continues to decline after several years of running at very high levels.

While there are some signs that the worst might be behind us in terms of approvals, the declines we have already seen mean the slowdown in actual building activity is already baked in.

Dwelling commencements slumped 16% in Q4 2018 and next week's Q1 building activity report is likely to show another sharp fall. Declining residential construction is one of the factors we expect to weigh on employment growth in the second half of 2019, which we expect to be the catalyst for another RBA rate cut in November.

3 JULY 2019

#### DISCLAIMER

Any opinions, judgments, conclusions, forecasts, predictions or estimations contained in this advice are made in reliance on information provided to Western Australian Treasury Corporation which Western Australian Treasury Corporation believes to be reliable. Western Australian Treasury Corporation, however, cannot guarantee the accuracy of that information. Thus, any recommendations are made in good faith but are provided only to assist you with any decisions which you make. These recommendations are not intended to be a substitute for professional advice on a particular matter. Before accepting or rejecting those recommendations you must discuss your particular needs and circumstances with Western Australian Treasury Corporation.