Economic Analysis

Building Approvals June 2019

Dwelling approvals fell a seasonally adjusted 1.2% in June, following a 0.3% rise in May (revised from +0.7%). This was close to the WATC forecast for a 1.0% decline and short of the market expectation for 0.2% increase. Total approvals were down 25.6% from a year earlier. The trend estimate, which looks through the monthly volatility, was down 1.3% in the month and 20.9% lower YoY.

Seasonally Adjusted	MoM	YoY
Total Dwelling Approvals	-1.2%	-25.6%
Private Dwellings	-2.3%	-26.2%
-Houses	0.4%	-14.8%
-Multi-dwelling	-6.5%	-39.3%

States

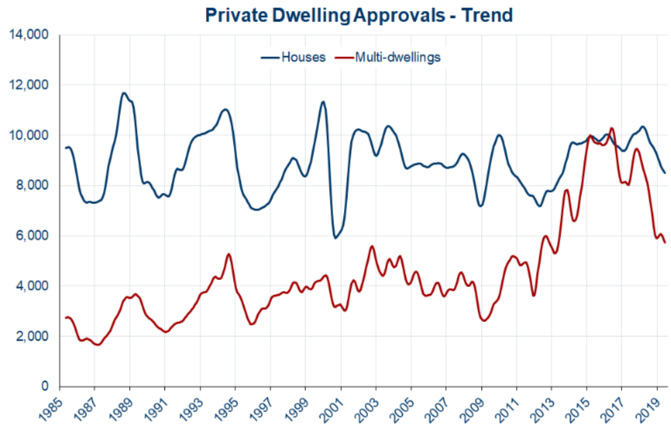
For the second month in a row Victoria (+9.6%) was the only state to see an increase in seasonally adjusted terms. Tasmania saw the biggest monthly decline (-11.9%). Approvals were lower across all states from a year earlier.

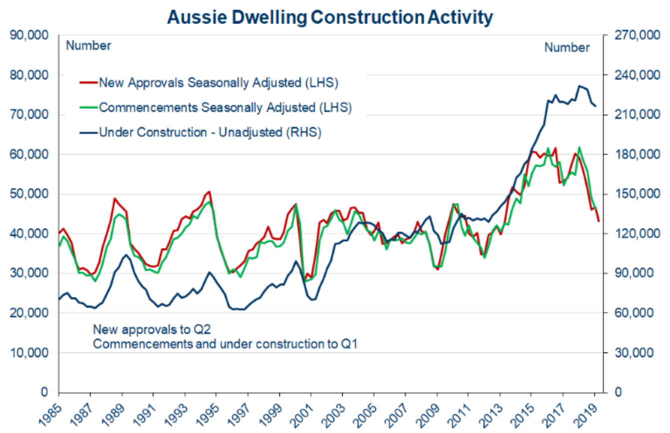
Seasonally Adjusted	MoM	YoY
Western Australia	-8.6%	-29.0%
New South Wales	-5.4%	-28.5%
Victoria	9.7%	-3.8%
Queensland	-1.0%	-36.4%
South Australia	0.0%	-25.2%
Tasmania	-11.9%	-21.5%

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 monthly rise was strongest in Queensland while New South Wales was the only state to see a decline. In annual terms, Western Australia had the highest growth rate at 56.5% YoY.

Trend	MoM	YoY
Western Australia	0.9%	56.5%
New South Wales	-2.4%	7.3%
Victoria	3.2%	5.6%
Queensland	4.3%	30.4%
South Australia	2.3%	-8.6%
Australia	2.0%	13.1%





Comment

There are some tentative signs that conditions in the housing market may be stabilising. With recent RBA rate cuts and the easing of credit standards by APRA yet to have had time to fully flow through there is a sense that the worst may be behind us.

However, with the decline in dwelling approvals feeding through to a 25% drop in dwelling commencements in Q1 (most recent data), the decline in construction activity is likely to gather pace in the second half of the year.

With residential construction so labour intensive and a driver of other spending in the economy, we see declining construction activity as a major risk to employment growth as we move through the second half of 2019.

We expect the deterioration in labour market conditions to be the catalyst for at least one more 25 basis point cash rate cut from the RBA in November 2019.

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