

The number of dwelling approvals slumped a seasonally adjusted 27.9% in January 2022, following a revised 9.8% increase in December (originally 8.2%). The market expectation was for a 3.0% drop.

Total dwelling approvals were 24.1% lower than a year earlier.

Seasonally Adjusted, %	MoM	YoY
Total Dwelling Approvals	-27.9	-24.1
Private Dwellings	-28.0	-23.6
- Houses	-17.5	-29.0
- Dwellings Ex Houses	-43.6	-8.5

The fall in approvals was broad-based, with private sector multi-dwelling approvals falling to the lowest level since January 2012.

Private sector house approvals also saw a substantial fall, however, this has taken the level of approvals back to historic norms after a period of very high levels of activity.

*States*

The number of total dwelling approvals fell in every state in seasonally adjusted terms in January, with the exception of Queensland. All states saw a decline in approvals when compared to January 2021, though the decline in Queensland was relatively modest.

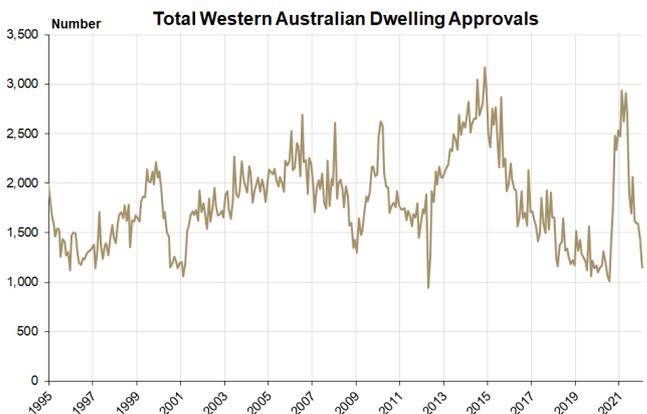
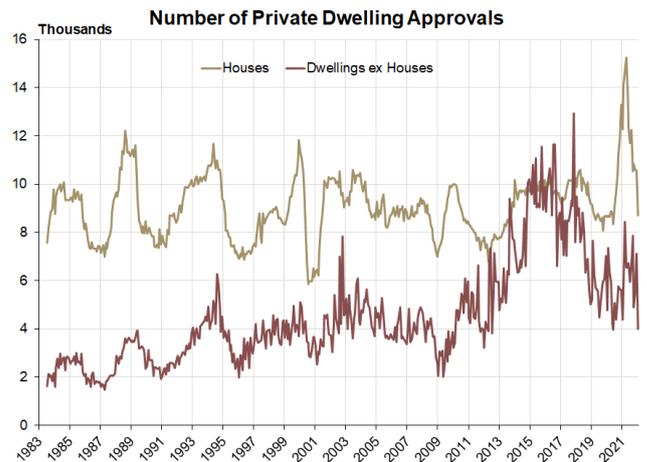
Seasonally Adjusted (%)	MoM	YoY
Western Australia	-19.9	-53.5
New South Wales	-25.9	-19.1
Victoria	-35.5	-20.1
Queensland	0.5	-3.6
South Australia	-29.2	-41.3
Tasmania	-13.9	-25.4

Private house approvals saw double digit percentage falls in all mainland states during the month, with the biggest fall being in South Australia (-19.9%) and the smallest in New South Wales (-14.0%). Private house approvals were down 16.5% in Western Australia.

*Non-Residential Approvals*

The value of non-residential approvals fell across all mainland states, however, the series is always extremely volatile.

Seasonally Adjusted (%)	MoM	YoY
Western Australia	-9.6	45.0
New South Wales	-46.4	-64.8
Victoria	-40.6	-23.6
Queensland	-40.1	-19.0
South Australia	-45.6	84.8
Australia	-36.8	-30.3



*Comment*

While the decline might be exaggerated due to the Omicron outbreak in the eastern states, dwelling approvals continued to fall in January 2022 as the market unwinds from the stimulus provided by the homebuilder grants and low interest rates. While variable interest rates remain at record lows, much of the demand that low rates has brought forward has likely been exhausted.

There nevertheless remains a substantial amount of work in the pipeline thanks to record private house approvals over the past 18 months, driven by fiscal and monetary support during the pandemic. With the construction industry struggling with labour shortages and material supply issues, it is looking likely that it will take an extended period to work through the backlog.

While dwelling approvals may see a bounce in February, with the RBA highly likely to raise interest rates later this year, approvals are likely to see further falls in the months ahead.

3 MARCH 2022

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