

Economic Analysis

Dwelling Approvals May 2022

The number of dwelling approvals rose a seasonally adjusted 9.9% in May, following a 3.9% decline in April. Market expectations were for a 2.0% fall.

Approvals were down 20.9% from a year earlier.

Seasonally Adjusted, %	MoM	YoY
Total Dwelling Approvals	9.9	-20.9
Private Dwellings	8.7	-21.5
- Houses	-2.7	-29.5
- Dwellings Ex Houses	32.0	-5.4

The increase was driven by private sector dwellings excluding houses, which jumped 32.0% after an 8.1% fall in April.

Private sector house approvals fell 2.7%, the eighth fall in the past nine months, to be 29.5% lower YoY.

States

Several states saw strong increases in total dwelling approvals led by a 38.7% rise in Western Australia. Queensland and Tasmania also recorded gains of over 20% in the month. South Australia and Victoria were the only states to see a fall in approvals. However, approvals in all states are well down on the levels of a year ago.

With the exception of a 4.9% increase in Western Australia, private house approvals were down across all mainland states in seasonally adjusted terms in May. New South Wales saw the heaviest fall of 11.1%, followed by a 4.1% decline in South Australia.

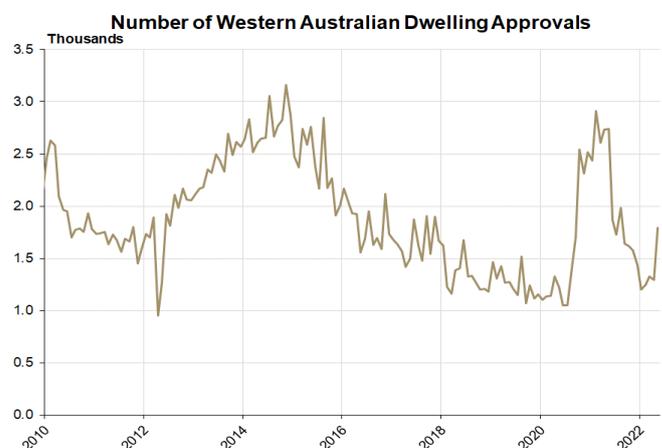
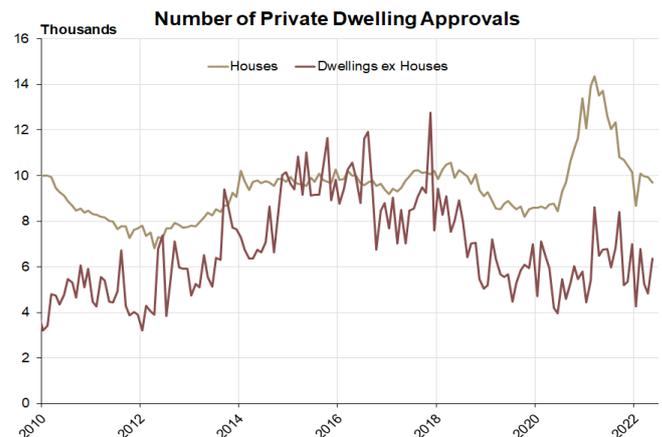
All states have seen sharp falls in private sector house approvals over the past year, led by a 39.3% fall in Western Australia. South Australia has recorded the smallest decline of 20.0%.

Seasonally Adjusted (%)	MoM	YoY
Western Australia	38.7	-34.5
New South Wales	4.7	-31.3
Victoria	-6.6	-21.5
Queensland	20.9	-11.7
South Australia	-21.3	-18.1
Tasmania	26.8	-24.3

Non-Residential Approvals

The monthly decline in the trend estimate of non-residential approvals accelerated to 1.5% in May. The trend estimate, which looks through monthly volatility, was reinstated this month after being suspended in early 2020.

Trend (%)	MoM	YoY
Western Australia	-3.3	1.6
New South Wales	2.9	14.8
Victoria	4.1	0.9
Queensland	-6.1	-8.3
South Australia	-5.5	24.7
Australia	-1.5	-1.3



Comment

Dwelling approvals bounced in May, driven by sharp rises in permits for apartment blocks in Western Australia and Queensland.

Private house approvals fell for the eighth time in the past nine-months, as the market continues to unwind the surge in approval numbers in 2020-21 that was driven by the various homebuilder assistance packages put in place by both federal and state governments. Although private sector house approvals have fallen sharply in year-ended terms, the level of approvals remains a little above the 20-year average.

We expect new dwelling approvals to fall further in the months ahead as the RBA continues on its path of monetary policy normalisation. However, for the time being the number of dwellings approved only adds to the backlog of jobs that builders are already struggling to deliver.

4 JULY 2022

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.