

## Economic Analysis

The number of dwelling approvals bounced back a seasonally adjusted 28.1% in August (exp.: +10.0%), following an 18.2% drop in July.

Approvals have fallen back to more normal levels, after the surge driven by the government homebuilder grants and record low interest rates.

Seasonally Adjusted, %	MoM	YoY
Total Dwelling Approvals	28.1	-9.5
Private Dwellings	28.1	-9.6
- Houses	4.1	-14.4
- Dwellings Ex Houses	99.1	-1.2

The rebound in permits was mainly driven by a near doubling of multi-dwelling approvals, following a 45.8% drop in July that saw multi-dwelling approvals slump to a decade low. A sharp rise in apartment approvals was the major catalyst behind the rebound in August after being the driver of the slump in July.

Private sector house approvals, which are far less volatile than multi-dwelling permits, rose 4.1% MoM following a 0.8% rise in July. This was the third increase in a row, suggesting the demand for new homes has remained resilient during the tightening cycle thus far.

### States

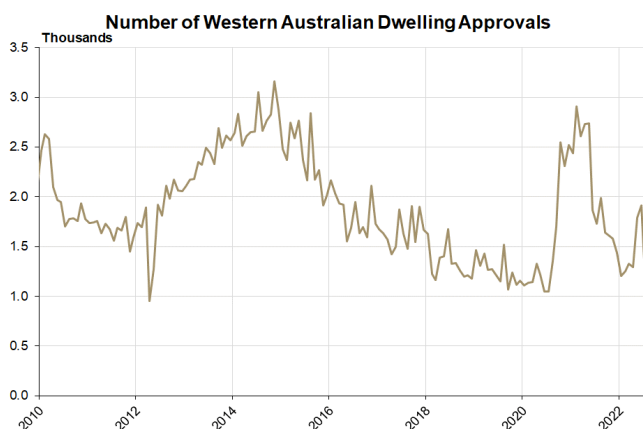
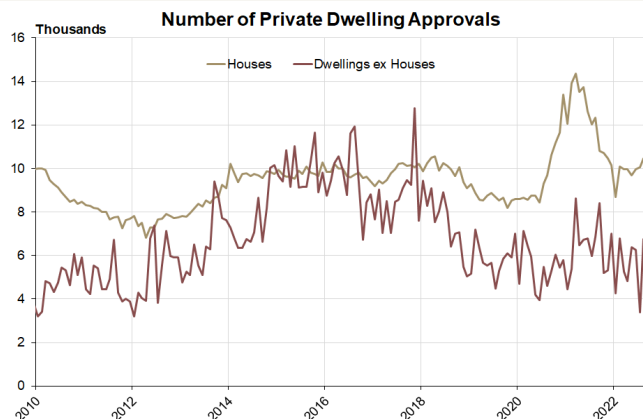
Approvals rose in all states in August, after heavy falls across all states except South Australia in July. The 70.6% jump in New South Wales was the result of a sharp rebound in apartment approvals following a slump in July. The big increase saw New South Wales as one of two states to see permits higher than they were a year ago.

Building permits rebounded 13.6% in Western Australia following a 36.1% drop in July.

Seasonally Adjusted (%)	MoM	YoY
Western Australia	13.6	-30.1
New South Wales	70.6	17.7
Victoria	19.4	-23.0
Queensland	9.5	-18.1
South Australia	3.5	-2.8
Tasmania	3.9	5.5

Private house approvals were mixed across the mainland states. Building consents rose in New South Wales (12.7%), Western Australia (8.9%) and Victoria (1.2%), but fell in South Australia (-4.5%) and were pretty much steady in Queensland (-0.1%).

## Dwelling Approvals August 2022



### Comment

Dwelling approvals appear to be stabilising after falling sharply from their stimulus driven highs.

This is particularly true of the private sector house segment of the market. The recently reinstated trend series, which is designed to look through the monthly volatility, suggests that private house approvals have bottomed out at a high level.

The high level of private house approvals will add to the pipeline of jobs that is testing the capacity of the construction industry to deliver. The high cost of home building has been a major contributor to the run up in the CPI that has seen the RBA raise interest rates at the fastest pace since the 1980s.

While there is some anecdotal evidence that conditions are starting to ease in the homebuilding industry, the high level of dwelling approvals suggests that the industry will remain busy until well into 2023.

Rapid RBA interest rate hikes appear to have had limited impact on the demand for housing construction to this point, but tighter monetary policy famously works with long and variable lags.

4 OCTOBER 2022

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