

Economic Analysis

The number of dwelling approvals dropped a seasonally adjusted 17.2% in July, against a 2.1% decline expected by the markets.

Approvals were 25.9% down through the year and 41.9% off their record highs from March 2021, when Australians rushed to sign up for new homes ahead of the expiration of the government homebuilding grants.

Seasonally Adjusted, %	MoM	YoY
Total Dwelling Approvals	-17.2	-25.9
Private Dwellings	-16.2	-25.9
- Houses	0.7	-17.4
- Dwellings Ex Houses	-43.5	-43.0

The July drop was driven by consents for private sector dwellings excluding houses, which saw a 43.5% plunge and reached the lowest level since January 2012. According to the ABS, the fall was caused by a slump in approvals for large apartment projects.

Private sector house approvals saw a slight 0.7% uptick, which was the second monthly gain in a row. Despite that, they remain 17.4% lower than a year ago and 30.5% below the series record of March 2021.

Looking through the monthly volatility, trend building approvals were 1.5% down MoM, while trend private sector house approvals were unchanged from June.

States

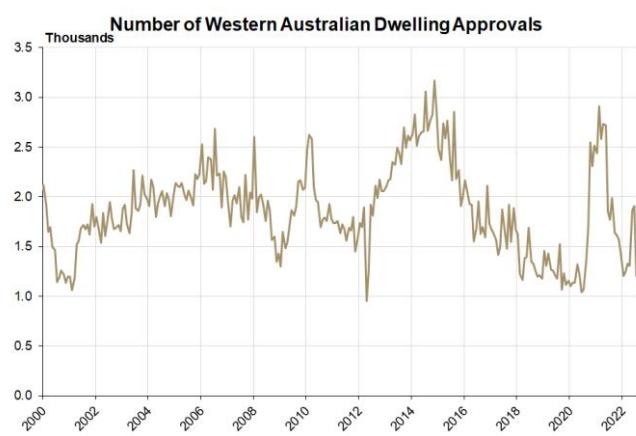
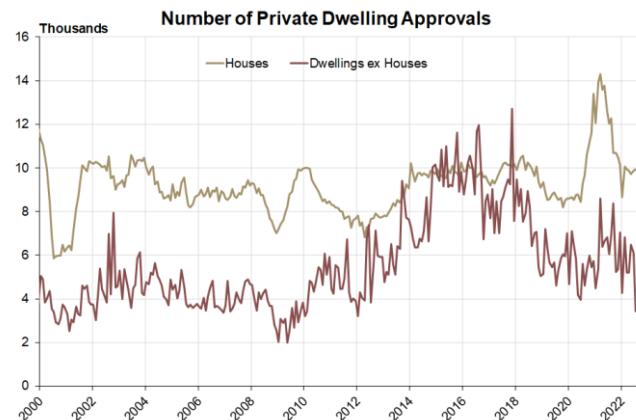
Declines in approvals were recorded in all states but South Australia, where building consents are also higher than a year ago.

Western Australia saw a 36.9% fall in approvals, which followed strong results in the previous two months.

Seasonally Adjusted (%)	MoM	YoY
Western Australia	-36.9	-32.0
New South Wales	-16.2	-31.6
Victoria	-17.4	-27.2
Queensland	-13.7	-26.8
South Australia	19.2	2.5
Tasmania	-14.5	-18.5

Private house approvals rose across all states but Western Australia (-8.7%) and New South Wales (-6.3%). The largest increase, of 18.6%, was recorded for South Australia.

Dwelling Approvals July 2022



Comment

Following a downslide from the spike caused by the government homebuilding grants, private sector housing approvals have stabilised slightly above the historical average. This continues to add to the large amount of work in the pipeline, putting additional pressure on the already stretched building industry.

As evidenced by the most recent wage price index, construction remains one of the pockets of accelerated compensation growth, with increases of 1.4% QoQ and 3.4% YoY.

Labour and materials shortages, as well as increasing costs have put pressure on builder finances despite the boom conditions, with builders struggling to fulfil the large number of orders.

The difficult conditions were behind the contraction in activity highlighted by the AiG performance of construction index. The AiG's report also suggested that rising mortgage rates are gradually feeding through to lower new orders in construction.

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