

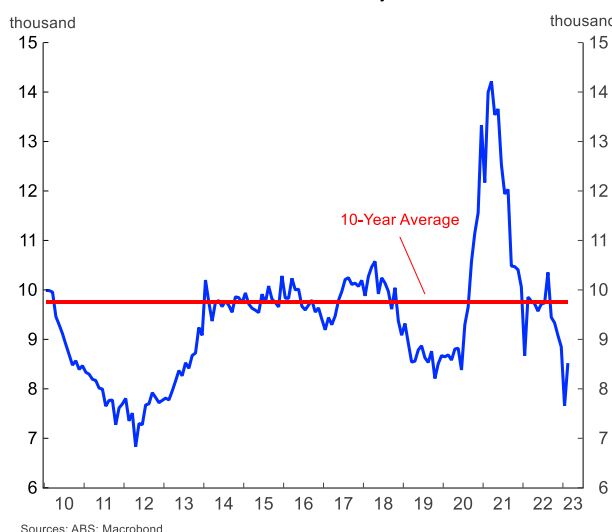
Monday, 3 April 2023

Building Approvals

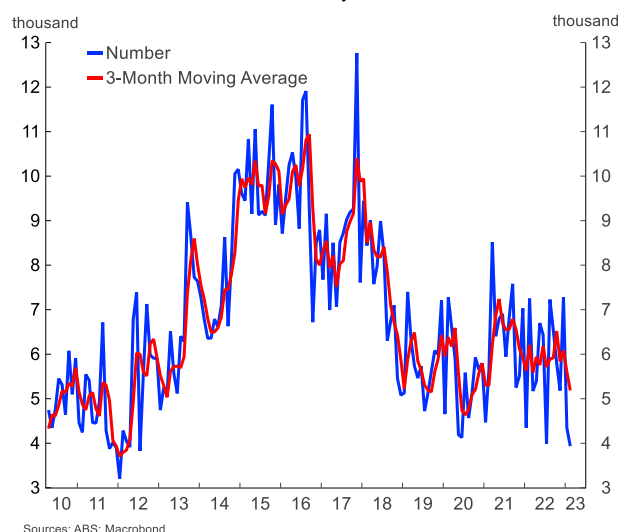
Approvals Bounce But Weakness Still Evident

- Building approvals increased in February following significant volatility over the holiday period. The number of approvals rose 4.0% in February, following a 27.1% plunge in January and a 14.3% surge in December. Looking through some of the volatility, approvals were 4.5% lower over the three months to February compared to the three months to January.
- Underlying weakness is still evident, and approvals are expected to remain subdued for some time. The number of approvals in February was at its lowest level in almost 11 years (excluding January) and down over 45% from the cycle peak in March 2021.
- Private sector house approvals (+11.3%) drove the monthly gain and rose for the first time in six months. This partly retraced the 13.5% drop in January. House approvals were higher across all states. However, despite the gain, the trend points to weakness. The three-month moving average remained deeply negative, falling by 10.2% over the three months to February.
- Private multi-density approvals (e.g. apartments and townhouses) dropped 9.5% in the month to their lowest level in almost 11 years. Approvals for multi-density dwellings have been highly volatile, falling by 45.7% over the year to February 2023.
- A strong pipeline of building work remains in place following the significant policy stimulus during the pandemic. However, building approvals (a leading indicator of future work) continue to point to a sharp slowdown on the horizon. This will add to existing housing challenges, as supply is unlikely to keep up with demand during a period of rapid population growth.

Private Sector House Approvals
Number, Monthly



Private Multi-density Approvals
Monthly



The number of dwellings approved rose 4.0% in February but was 31.1% lower in annual terms.

Detached House Approvals

Private sector house approvals rose 11.3% in February, to be 13.6% lower over the year. Approvals have fallen significantly following the policy-induced surge that occurred during the early part of the pandemic. Several factors have contributed, including the unwinding of stimulus measures, elevated costs and shortages of materials, higher labour costs, and increases in interest rates.

Despite the February jump, approvals were 40% down from the cycle peak in March 2021. Seasonal factors have played a role over recent months. However, looking through some of this volatility, the three-month moving average suggests that underlying weakness is continuing.

Multi-Density Approvals (i.e. apartments and townhouses)

Private multi-density approvals fell 9.5%, to be 45.7% lower over the year. This is typically a volatile segment, as has been the case over the holiday period. Looking through some of the volatility, the three-month moving average suggests that weakness remains evident, as approvals have fallen 11.2% over the three months to February, following a 14.1% fall over the three months to January.



By State

Private sector house approvals increased in every state in February. Multi-density dwelling approvals were volatile, with large increases recorded in South Australia and NSW.

State	Residential Building Approvals by State								
	Number	Total		Private Sector Houses			Private Sector Other		
		Monthly Chg. %	Annual Chg. %	Number	Monthly Chg. %	Annual Chg. %	Number	Monthly Chg. %	Annual Chg. %
NSW	3,000	14.0	-42.2	1,959	9.9	-22.0	1,027	26.2	-61.4
VIC	3,917	8.5	-45.0	2,857	10.3	-10.2	1,009	2.3	-64.2
QLD	3,083	-13.7	14.7	1,714	18.8	-4.2	1,321	-37.4	50.6
SA	1,090	28.5	-8.9	747	1.6	-3.7	302	169.6	-27.8
WA	978	-6.4	-22.2	887	2.4	-26.5	54	-50.5	1250.0
AUS	12,661	4.0	-31.1	8,520	11.3	-10.2	3,935	-9.5	-45.7

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