

4 March 2024

Australian dwelling approvals: renewed weakening? January -1%^{mth}, +4.8%^{yr} A soft start to the year but January data can be misleading

- Dwelling approvals were weaker than expected in Jan, recording a 1% decline vs expectations of a 4% rise. Approvals were coming off a sharp fall in Dec, marked down to a 10.1%^{mth} drop. The absence of a rebound and the approvals detail suggest there has been an underlying trend weakening although low we always need to be careful when interpreting housing data over the Dec-Jan period.
- Approvals have been bumping around the bottom of the cycle since the start of 2023. The fall through Dec-Jan takes total approvals to around the lows seen during COVID, and prior to that, the levels seen in 2012. All of this is well below the pace of new building required to keep up with current strong population-driven rises in physical demand.
- Note that most of the figures in the table and accompanying charts show approvals in rolling three-month average terms, to tone down the volatility of the monthly data.
- The segment detail showed a partial rebound in unit approvals, which had been at the centre of the Dec fall – a 14.5% rise following a 22% drop, Jan approvals still over 10% below their Nov level. However with was more than offset by a sharp 9.6% drop in detached house approvals – normally a more stable component that gives a better guide to underlying trends. The main caveat here is that Jan updates are more prone to large one-off moves as the low period means seasonal adjustment amplifies any noise in the raw data. This component showed similarly sharp drops in Jan 2023 (-10%), Jan 2022 (-12.6%), Jan 2021 (-7.8%), all of which reversed completely in the following month. This time around there is some evidence of weakness prior to the Jan month so there may be more residual softening even if we get a Feb rebound.
- The finer detail shows a surprisingly strong month for high rise approvals (up over 70%^{yr}) and a soft one for 'low-mid' approvals (down nearly 40%^{yr}). Seasonal caveats apply doubly for these components which can be very volatile even before adjustments are applied.
- The state detail shows much larger declines in NSW (-14.9%^{mth}) and Vic (-9.8%^{mth}) – centred on detached houses. These were partially offset by a strong rise in Qld (+31.8%^{mth}) that was centred on high rise approvals, suggesting it has little to do with the recent increase in the Qld state government support for first home-buyers.
- The value of renovation approvals declined 3.1% in Jan, annual growth slowing to just 0.5%^{yr}. The value of non-residential building approvals bucked the wider trend, rising 12.4% but coming off a near-30% drop over Nov-Dec. Both are still tracking trend declines, cost increases meaning the lower value of total approvals will be masking an even steeper fall in the underlying 'volume' of work.
- While there are some signs of a renewed weakening in approvals it is worth holding off on this judgement until we see next month's update given the problems with Jan reads in recent years.

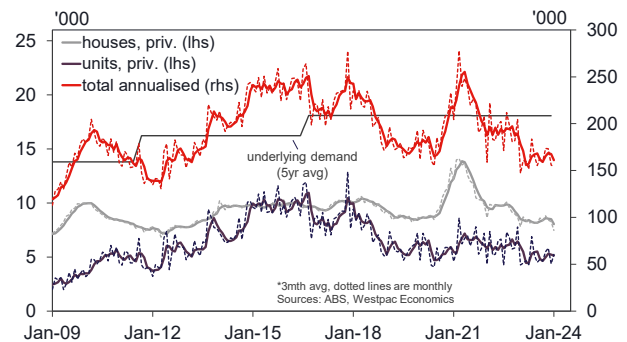
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Building approvals – January 2024

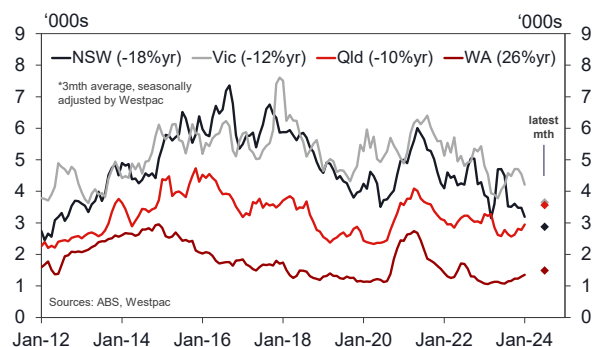
3mth avg	latest	3mth %chg*		%yr	
		Dec	Jan	Dec	Jan
Private houses	8,055	1.4	-6.4	-4.8	-5.3
Private units	5,151	12.7	3.7	-18.9	-13.6
Public dwellings	216	-7.7	4.0	-41.5	-40.9
Total dwellings	13,423	5.2	-2.6	-11.5	-9.5
Total dwellings, mthly*	12,850	-10.1	-1.0	-24.0	4.8
- units in 'high rise'^	5,580	-11.5	1.3	-32.4	-25.1
- units in 'low rise'^	2,243	5.4	-8.2	-5.4	-15.0
Renovations, \$bn	1.002	-2.3	-4.6	0.8	1.0
Non-res., \$bn	4.692	-15.3	-19.7	-11.6	-12.2

*figures for 'total dwellings mthly' are monthly and mthly%ch, all others are rolling 3mth avg and 3mth%ch; ^all sectors, Westpac estimates
Sources: ABS, Westpac Economics

Dwelling approvals

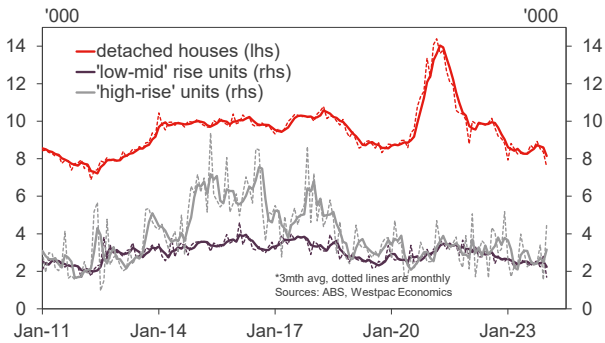


Total dwelling approvals: by state

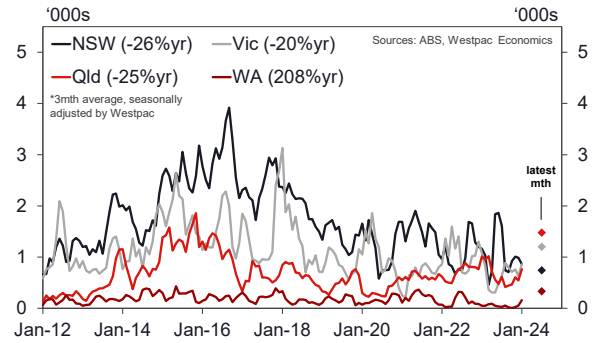


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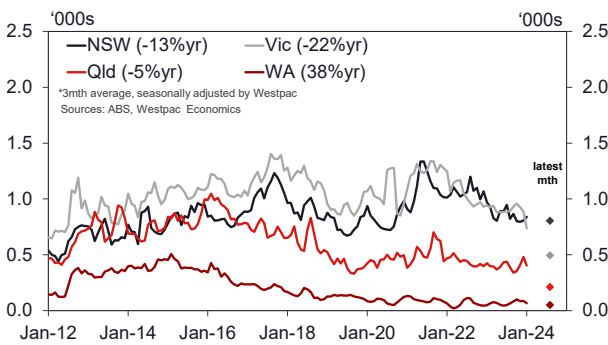
Dwelling approvals: detailed segment



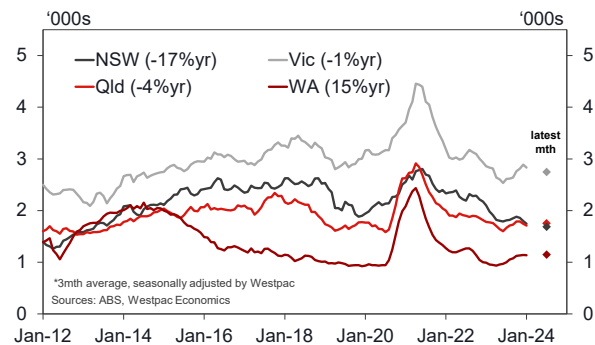
'High rise' approvals: by state



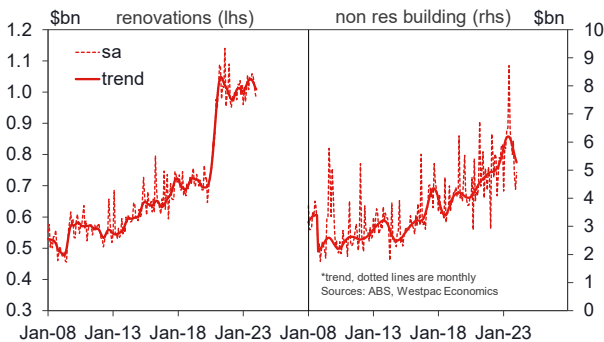
'Low-mid rise' approvals: by state



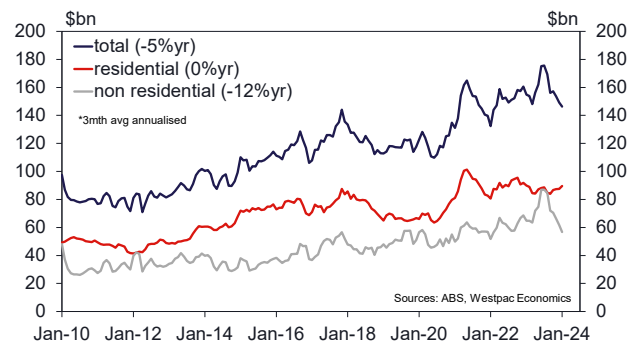
Detached house approvals: by state



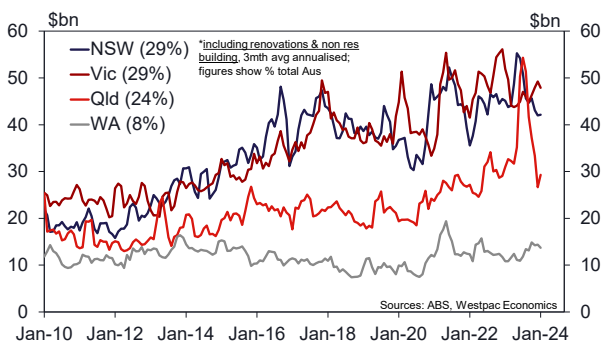
Value of renovation & non residential approvals



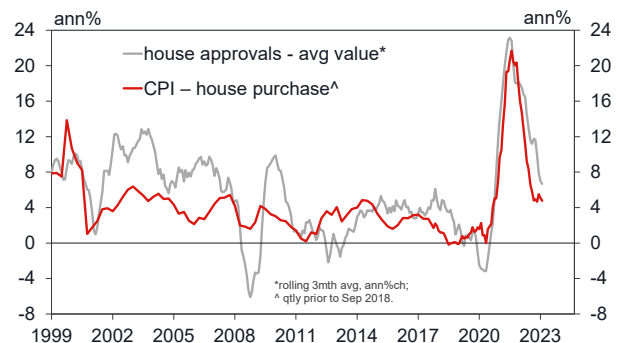
Total value of building approvals



Total building approvals by state



Dwelling approvals: avg value



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