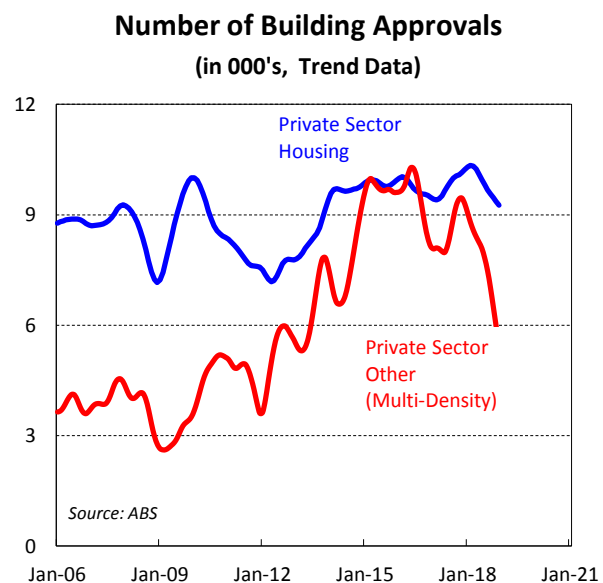
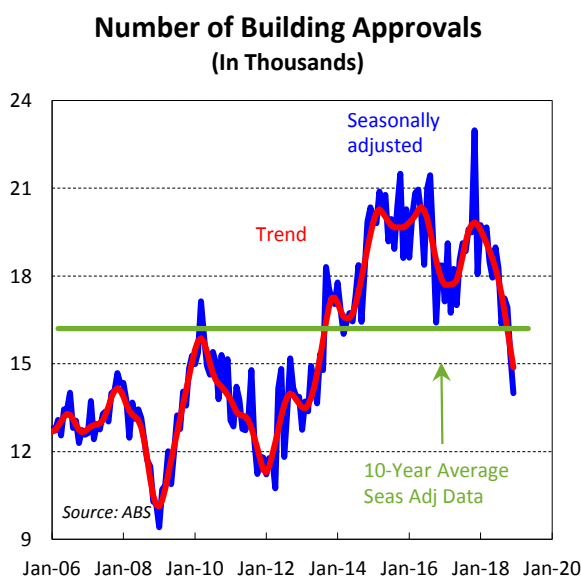


Monday, 4 February 2019



Building Approvals Falling Out of Love

- Building approvals dropped 8.4% in December, against expectations for a small rebound. Moreover, the plunge followed a 9.8% fall in November, which was the largest back-to-back drop in approvals since late 2016.
- Approvals were down 22.5% in the year to December, and were down 39.1% from their peak in November 2017.
- There was broad-based weakness in approvals across houses and units. Private sector “other” dwelling approvals, which are mostly apartments, dropped 18.8% to 4712, the lowest number of private unit approvals since July 2012.
- The two major States, NSW and Victoria, led the decline, following sizeable declines in the previous two months, reflecting the downturn in prices in Sydney and Melbourne.
- The downturn in residential building activity is set to extend and intensify. Moreover, falling dwelling prices suggests that further weakness is likely to continue. The downturn in housing is expected to be a drag on economic growth over the coming year, and is a key downside risk to the domestic economy.



Building approvals dropped 8.4% in December, against expectations for a small rebound.

Moreover, the drop followed a 9.8% fall in November, which was the largest back-to-back drop in approvals since late 2016.

Approvals have declined for three consecutive months. While approvals data is volatile month-to-month, the recent slump suggest that the residential building downturn is set to worsen.

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There was broad-based weakness in approvals across houses and units. Private sector “other” dwelling approvals which are mostly apartment dropped 18.8%, to 4712, the lowest number of private unit approvals since July 2012.

Approvals for private sector housing dropped 2.2% in December, also falling for the second consecutive month, highlighting that the downturn is broad-based.

By State

The two major States, NSW and Victoria, led the decline, falling 8.6% and 8.1%, respectively. They also followed sizeable declines in the previous two months, and reflects falling dwelling prices in Sydney and Melbourne. Approvals also declined in Queensland (-5.8%) and Tasmania (-24.3%). South Australia (5.6%) and Western Australia (1.1%) were the only States where approvals increased.

In trend terms, approvals are lower in the year across most States. In NSW (-27.0%), Victoria (-24.7%), Queensland (-29.6%), South Australia (-14.6%) and Western Australia (-27.7%), approvals are in double-digit decline. The Northern Territory (11.3%), ACT (35.5%) and Tasmania (10.6%) were the only States and territories experiencing growth.

Outlook

The downturn in residential building activity is set to extend and intensify. Moreover, falling dwelling prices suggests that further weakness is likely to continue. The downturn in housing is expected to be a drag on economic growth over the coming year, and is a key downside risk to the domestic economy.

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