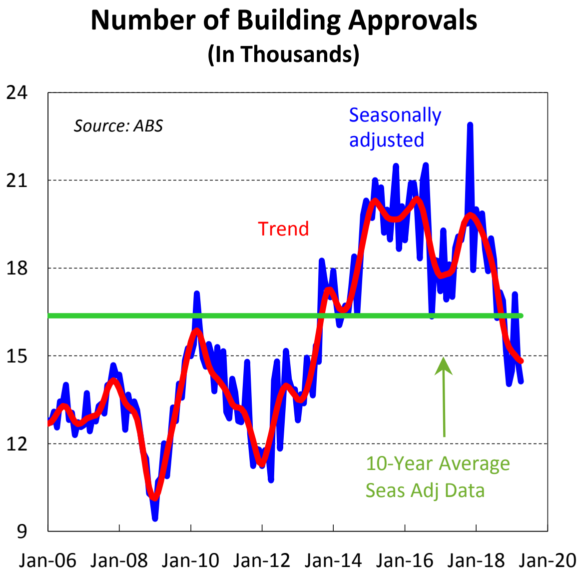
Data Snapshot

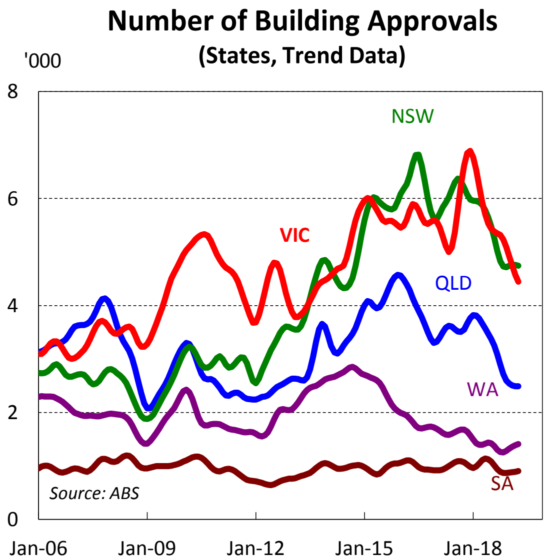
Thursday, 30 May 2019

Building Approvals

Building Blues

- **Building approvals fell 4.7% in April, coming off the heels of a 13.4% decline in March. The 17.4% decline over the last two months was the largest since October 2016.**
- **There might have been some negative impact over the Easter and ANZAC day holiday period on top of some uncertainty ahead of the Federal election. However, other indicators on housing, including falling house prices, continues to suggest underlying weakness within residential construction.**
- **All sectors weakened over April. Approvals for private sector houses dropped 2.6% in April, the third consecutive decline. Approvals for private sector "other" dwellings, which include apartments, also declined, falling 6.5% in the month.**
- **Approvals fell across most States in April, except for Queensland (11.3%) and NSW (4.8%). Approvals dropped sharply in Victoria (-16.1%), Tasmania (-19.1%), Western Australia (-6.7%) and to a lesser extent in South Australia (-3.3%).**
- **Today's data is continuing to suggest that residential construction will remain weak over the remainder of the year, and points to dwelling investment dragging on economic growth.**
- **More recently, there have been some tentative signs of house prices nearing a bottom. Confidence could also receive a boost, now that the uncertainty from the Federal election is behind us. However, despite these signs of improvement, indicators are continuing to point to construction conditions remaining weak.**





Building approvals fell 4.7% in April, coming off the heels of a 13.4% decline in March. The 17.4% decline over the last two months was the largest since October 2016, and further confirms that a bounce in approvals earlier in the year was a one-off. There might have been some negative impact over the Easter and ANZAC day holiday period on top of some uncertainty ahead of the Federal election. However, other indicators on housing, including falling house prices, continues to suggest underlying weakness in residential-construction activity.

All sectors weakened over April. Approvals for private sector houses dropped 2.6% in April, the third consecutive decline. Approvals for private sector “other” dwellings, which include apartments, also declined, falling 6.5% in the month.

By State

Approvals fell across most States, except for Queensland (11.3%) and NSW (4.8%). Approvals fell sharply in Victoria (-16.1%), Tasmania (-19.1%), Western Australia (-6.7%) and to a lesser extent in South Australia (-3.3%).

As a trend, the downturn in approvals is most apparent in NSW and Victoria, where approvals are down 38.3% and 44.3%, respectively, from their peaks in 2015. In Queensland, South Australia and Western Australia, approvals are languishing below their long-run averages. Approvals in Tasmania are holding above their long-run average, reflecting the relatively buoyant housing market in Hobart.

Outlook

Approvals data is continuing to suggest that residential construction will remain weak over the remainder of the year, and points to dwelling investment dragging on economic growth.

More recently, there have been some tentative signs of dwelling prices nearing a bottom in Sydney and Melbourne. Auction clearance rates are closer to average levels and the pace of monthly price declines in Sydney and Melbourne are lessening. Confidence in the housing market could also receive a boost, now that the uncertainty from the Federal election is behind us. However, despite these signs of improvement, indicators are continuing to point to conditions remaining weak in residential construction.

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