

Economic Analysis

Dwelling approvals climbed a seasonally adjusted 5.5% in May, following an upwardly revised 1.9% increase in April (revised from -0.3%).

This was the third seasonally adjusted increase in approvals in a row. Monthly trend growth improved to 1.7%.

Seasonally Adjusted, %	MoM	YoY
Total Dwelling Approvals	5.5	-8.5
Private Dwellings	6.6	-8.3
- Houses	2.1	12.0
- Dwellings Ex Houses	16.3	-31.7

Private sector house approvals climbed 2.1% following a 0.3% fall in April (revised from -1.6%), to be at the highest level since October 2022.

Private dwelling approvals excluding houses jumped 16.3% in the month. Multi-dwellings are usually choppy, however, and the number remains well off the level from a year ago.

States

Approvals were higher across all states, led by a sharp rise in Western Australia where approvals rose to the highest level since June 2022, to be almost double the 12-year low of May 2023.

Trend growth in total approvals is now positive in all states, with Western Australia seeing the strongest monthly trend growth of 4.4%.

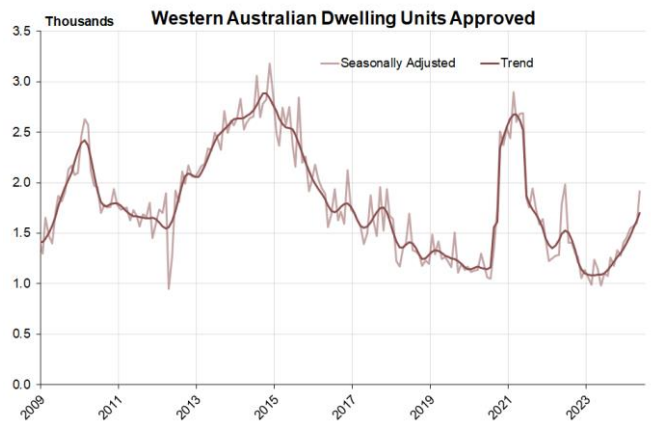
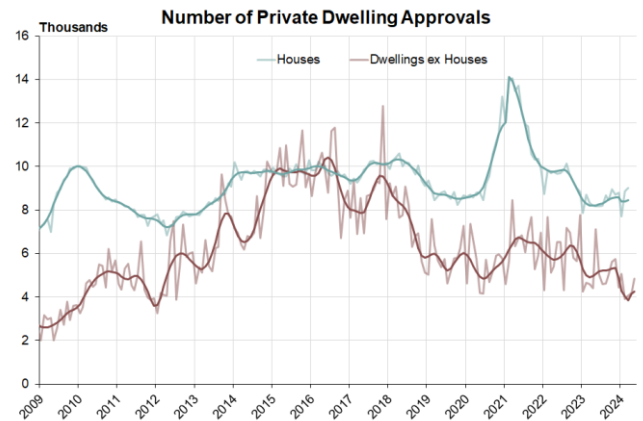
Seasonally Adjusted (%)	MoM	YoY
Western Australia	19.6	95.4
New South Wales	2.9	-43.1
Victoria	8.9	8.7
Queensland	6.3	11.7
South Australia	4.1	0.3
Tasmania	3.8	-25.1

Private sector house approvals rose in all mainland states in May, except for Victoria (-3.4%) and South Australia (-1.9%). Growth was strongest in Western Australia, with an 8.4% increase.

Trend growth in private sector house approvals was also positive in all mainland states (there is no trend estimate for Tasmania), although barely so in New South Wales (0.3%) and South Australia (0.1%).

The trend was strongest in Western Australia at 4.3%.

Dwelling Approvals May 2024



Comment

Australian dwelling approvals appear to have reached a bottom. However, despite the tentative signs of improvement, the level of approvals remains depressed with little sign of a sustained upswing.

The story is a little different in Western Australia, where dwelling approvals have been rising since the middle of 2023, despite the ongoing problems in the building industry.

The still-low level of dwelling approvals across Australia continues to look well below what is required to close the widening supply and demand imbalance, particularly considering the rapid increase in population.

According to ABS estimates, the number of residential dwellings in Australia increased 154.4k in 2023, while the population rose by around 651k.

Given this, the persisting undersupply will continue to put significant upward pressure on house prices and rents in the foreseeable future.

3 JULY 2024

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