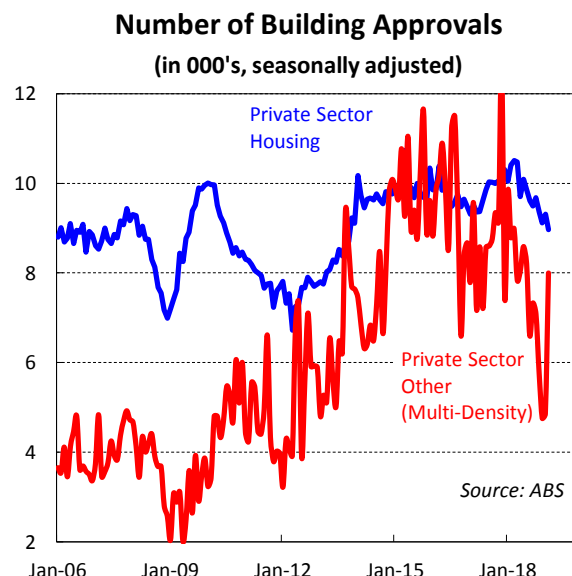
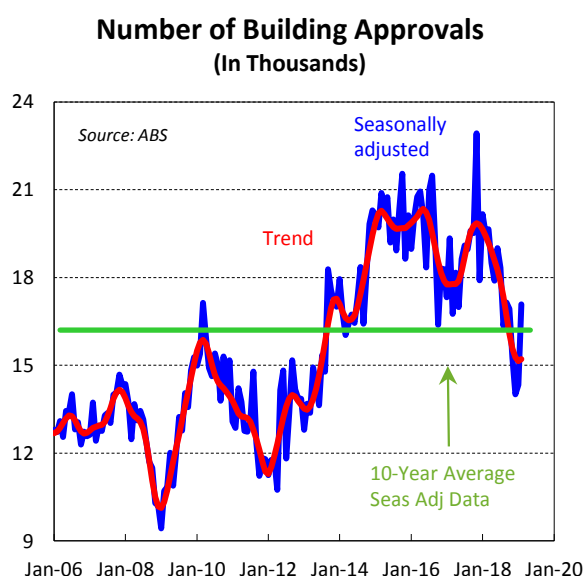




Building Approvals

Surprise Gain Not To Be Sustained

- Building approvals growth was surprisingly high in February, jumping 19.1%. It was the largest monthly increase since September 2013, with a surge in apartment approvals driving the increase. The number of building approvals rose back above the 10-year average.
- The strength in building approvals in February reflects the lumpy nature of apartment approvals and it is likely that this jump is reversed in coming months. Leading indicators continue to suggest a deeper downturn in dwelling investment is likely over the coming year.
- Approvals for private-sector 'other' dwellings (mostly apartments) jumped 64.6% in February. It was the largest monthly increase since May 2012. Approvals for private-sector housing, which exhibit less monthly volatility than apartment approvals, fell 3.6% in February.
- The lift in February across the States was not even. The strength in approvals was driven by private-sector 'other' approvals in Victoria (137.6% and the largest increase since June 2009) and NSW (73.1%).
- The downturn in the housing cycle 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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The strength in building approvals in February reflects the lumpy nature of apartment approvals and it is likely that this is reversed in coming months. Leading indicators continue to suggest a deeper downturn in dwelling investment is likely over the coming year.

Approvals for private-sector 'other' dwellings (mostly apartments) jumped 64.6% in February. It was the largest monthly increase since May 2012. It is telling, however, that despite this large monthly rise, the annual pace of private-sector 'other' approvals is still in negative territory, with a decline of 9.1% in February, up from -50.6% in January.

Approvals for private-sector housing, which exhibit less monthly volatility than apartment approvals, fell 3.6% in February. For the year to February, approvals for private sector houses are down 13.8%.

Despite the large increase in building approvals in February, the annual pace of building approvals is still in decline, reflecting the broader downward trend in building approvals. For the year to February, total residential building approvals improved to -12.5%, from -28.9% in the year to January. It was the highest annual pace of growth in building approvals since July 2018.

By State

The lift in February across the States was not even. The strength in approvals was driven by private-sector 'other' approvals in Victoria (137.6% and the largest increase since June 2009) and NSW (73.1%).

Growth in building approvals in February was strongest in Victoria (37.3%), followed by NSW (25.2%), South Australia (6.8%) and Queensland (3.4%). Building approvals fell in Tasmania (-13.6%) and Western Australia (-10.9%).

Outlook

The rise in building approvals in February was driven by volatility in multi-density approvals. Building approvals, particularly for apartments, are volatile in nature. We expect building approvals to resume their downward trend in coming months. Leading indicators in the housing market suggest the downturn in residential activity will intensify. The downturn in the housing cycle 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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The Detail

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