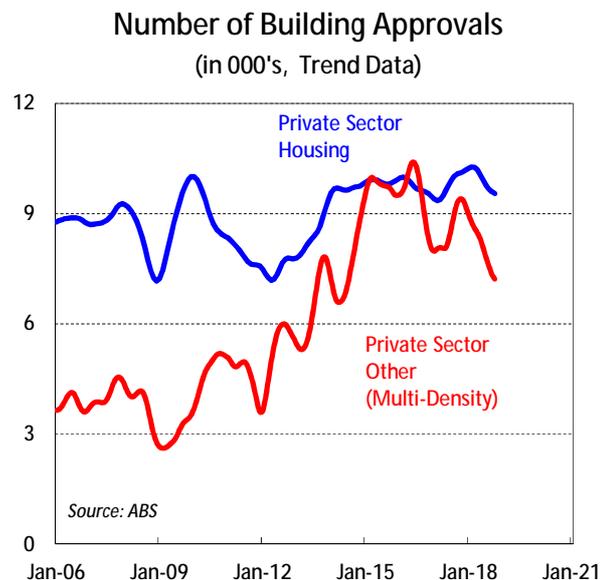
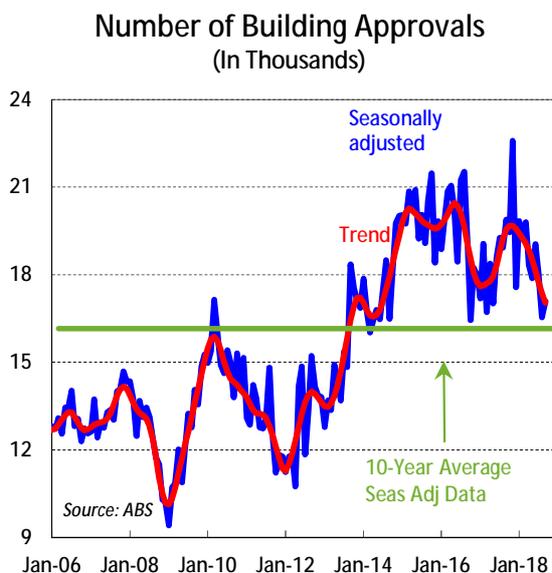


Building Approvals Trending Lower

- Building approvals fell 1.5% in October, only partly reversing September's 5.5% increase. The annual pace of building approvals deteriorated to a decline of 13.4% in October, after a fall of 12.8% in September.
- Despite the month-to-month volatility in building approvals, a downward trend remains intact. Over the past six months building approvals have declined by an average 1.1%. Nonetheless, building approvals remain above their long-term average, suggesting residential construction is likely to remain elevated in the near-term.
- The volatility in building approvals continues to be driven by 'other' private sector approvals (which includes apartments and townhouses). Approvals for 'other' private sector dwellings fell 4.8% in October, after jumping 13.0% in September. Approvals for private sector houses rose 2.7% in October, following three consecutive months of decline.
- The ongoing downturn in dwelling prices and other signs of slowing housing demand suggest residential approvals will slow further over the medium term. The slowdown in the housing market, however, will be mitigated by strong population growth and solid employment growth.



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Looking through the month-to-month volatility in building approvals, a downward trend remains

intact. Over the past six months building approvals have declined by an average 1.1%. Despite this decline, the number of dwelling approvals remains above its long-term average, suggesting residential construction will remain elevated in the near-term. Nonetheless, the downturn in house prices and other signs of softening housing demand highlight a risk that residential construction will continue to soften.

The volatility in building approvals continues to be driven by 'other' approvals (which includes apartments, townhouses etc). Approvals for 'other' private sector dwellings fell 4.8% in October, after jumping 13.0% in September. Approvals for private sector houses rose 2.7% in October, following three consecutive months of decline.

For the year to October, approvals of 'other' dwellings slumped 22.6%, while approvals of private sector houses fell 4.1%.

By State

The weakness in building approvals was broad-based across the States. South Australia led the weakness (-17.0%) with declines in approvals of 'other' dwellings in the private sector. Victorian approvals of 'other' dwellings in the private sector weakened sharply, although a large jump in house approvals resulted in a 2.6% fall in building approvals overall. Declines in building approvals were also evident in Tasmania (-3.0%), Victoria (-2.6%), Queensland (-1.1%), NSW (-0.5%) and Western Australia (-0.1%).

On an annual basis in trend terms, which looks through month-to-month volatility, approvals were lower in the year for most States and territories. They were down in the Northern Territory (-34.4%), Western Australia (-23.1%), NSW (-17.5%), Victoria (-15.8%), South Australia (-14.6%) and Queensland (-12.0%). The ACT (120.9%) and Tasmania (4.0%) were exceptions, both rising in the year.

Outlook

Building approvals continued their decline in October, with the weakness broad-based across the States. Dwelling approvals are in trend decline, having peaked in late 2017. The ongoing downturn in dwelling prices and other signs of slowing housing demand suggest residential approvals will slow further over the medium term. The slowdown in the housing market, however, will be mitigated by strong population growth and solid employment growth.

Jo Horton, Senior Economist
Ph: 02-8253-6696

Contact Listing

Chief Economist

Besa Deda

dedab@bankofmelbourne.com.au

(02) 8254 3251

Senior Economist

Josephine Horton

hortonj@bankofmelbourne.com.au

(02) 8253 6696

Senior Economist

Janu Chan

chanj@bankofmelbourne.com.au

(02) 8253 0898

The Detail

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