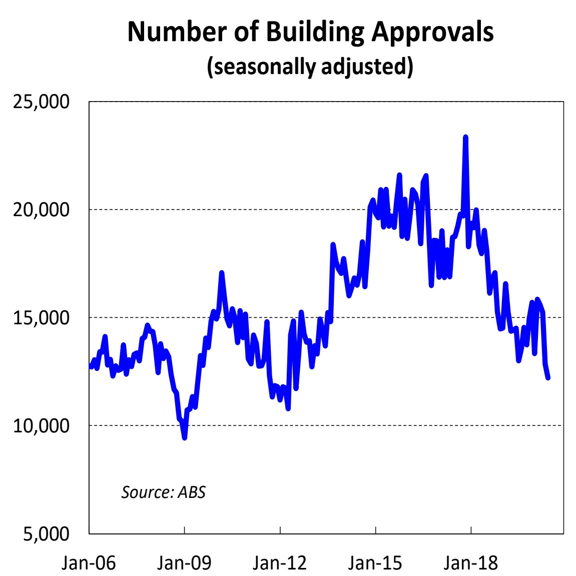
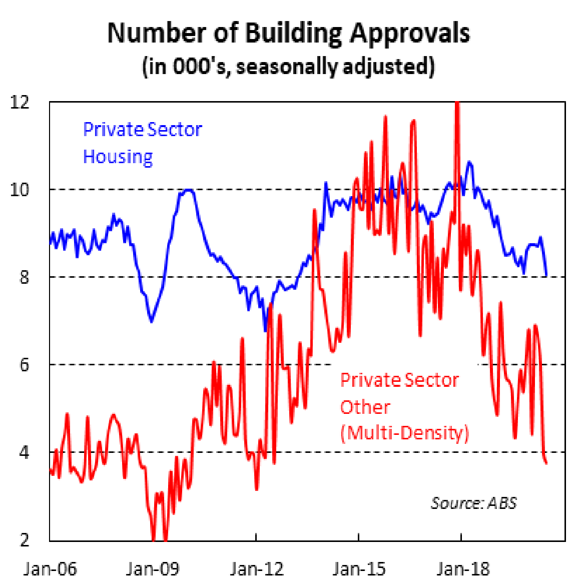
Thursday, 30 July 2020

Building Approvals

At an Eight-Year Low

- **Building approvals fell another 4.9% in June, following a sharp 15.8% contraction in May. Approvals have declined for four consecutive months and are down 22.9% from their level in February. The number of approvals in June was its lowest in eight years.**
- **Over the past few months, approvals for multi-unit dwellings have been hit hardest. Approvals for private-sector 'other' dwellings in June was the lowest since January 2012.**
- **Compared with February, approvals were 31.6% lower in Victoria, 29.0% lower in NSW and 24.1% lower in Tasmania, highlighting a relatively larger economic impact from COVID-19 on these States. In Queensland, approvals were down 14.8% from their level in February. In Western Australia (-9.7%) and South Australia (-3.9%) the decline in approvals have been more muted.**
- **Government policies aimed at boosting housing construction should provide some support to housing construction, including the Federal Government's HomeBuilder policy. Low interest rates will also provide some support.**
- **Nonetheless, strong headwinds remain given rising unemployment and weaker incomes which will continue to weigh on housing demand and prices. The housing market and residential construction will continue to face some challenging conditions ahead.**





Building approvals fell another 4.9% in June, following a sharp 15.8% contraction in May. Approvals have declined for four consecutive months and are down 22.9% from their level in February. The number of approvals in June was its lowest in eight years.

The impact of COVID-19 has taken its toll on the housing sector. Rising unemployment has had resulted in weaker incomes and demand for housing. Moreover, COVID-19 has led to sharply lower activity in the housing market. Housing turnover has been at its lowest in over 30 years.

Approvals for both private-sector houses (-5.7%) and private -sector other dwellings (-5.3%) weakened in June. Over the past few months, approvals for multi-unit dwellings have been hit hardest. Approvals for private-sector other dwellings in June (at 3,782) was the lowest since January 2012.

Approvals declined in all States in June. There were double-digit declines in NSW (-14.8%), Western Australia (-11.7%), Queensland (-10.9%) and Tasmania (-10.8%). Approvals edged 0.2% lower in Victoria but followed a 13.5% decline in May.

Compared with February, approvals were 31.6% lower in Victoria, 29.0% lower in NSW and 24.1% lower in Tasmania, highlighting a relatively larger economic impact from COVID-19 on these States. In Queensland, approvals were down 14.8% from their level in February. In Western Australia (-9.7%) and South Australia (-3.9%) the decline in approvals have been more muted.

Outlook

Government policies aimed at boosting housing construction should provide some support to housing construction. The Federal Government announced its HomeBuilder policy in June, while various State governments have also announced additional measures to prop up home building. These measures will provide some support to construction and re-opening of parts of the economy could also boost activity in the near-term. Low interest rates will also provide some support. Nonetheless, strong headwinds remain given rising unemployment and weaker incomes which will continue to weigh on housing demand and prices. The housing market and residential construction will continue to face some challenging conditions ahead.

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