



AUSTRALIAN CONSTRUCTION INSIGHTS
Research powered by HIA Economics

Construction Brief

3 April 2018

The Fed has made its first move for 2018

The FOMC raised interest rates on March 21st

Update: The Federal Open Market Committee (FOMC), the equivalent of our Reserve Bank of Australia (RBA) raised interest rates in mid-March. In a unanimous decision the FOMC, referred to as 'the Fed', lifted interest rates to a range of 1.50 per cent to 1.75 per cent.

Insight: This was the sixth rate rise by the Fed, but the most significant one for Australia. This is the first time in a decade that the Fed Funds rate has been higher than the Official Cash Rate (OCR) in Australia.

The US move was almost universally expected. It was the statement accompanying the decision that formed the crucial focus. The Fed indicated that there would be two further rate hikes in 2018. Ahead of the decision many analysts were talking up the proposition of four rate hikes in total this year, although we were never of that view.

The Fed also raised its interest rate projections for 2019 and 2020, so markets largely took the 'four down to three in 2018' in their stride.

The Fed has a new Chairperson in Jerome Powell, the position equivalent to our RBA Governor – Phillip Lowe.

Powell is a far better communicator than his predecessor – Janet Yellen – and so his testimony following the rate decision was simpler and more transparent. Maybe it's because Powell isn't an economist! We can expect the direction provided by Powell to be clearer than what we at times felt like we had to wade through with Yellen. That's an altogether good thing.

So what about the RBA?

Update: Nothing will change here in Australia. As we noted in our early March edition of Construction Brief, Australia is marching to its own beat.

Insight: The two key elements to monetary policy here are wages growth and any indication of fragilities in the household sector. Until there is evidence of acceleration in wages growth, don't expect any hawkish talk from the RBA.

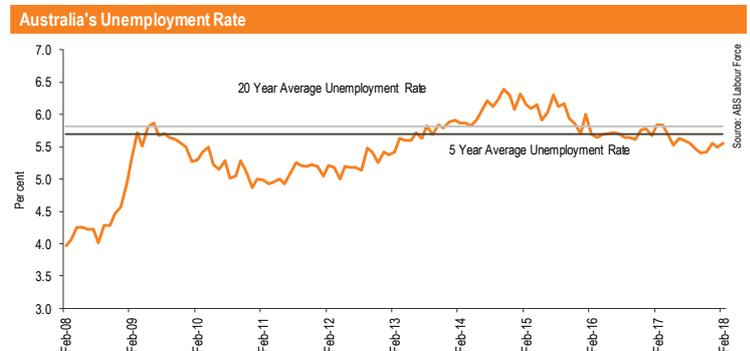
When their commentary does take flight, though, it could be quite sudden and possibly surprising in its timing to ensure something of a 'shock' factor. So don't get too accustomed to the current 'ho hum' nature of interest rate statements.

The next key update on wages growth (the March 2018 quarter Wage Price Index) isn't being released until May 16th so there won't be much new to report over the next couple of months.

The next 'biggie' on the Australian economic calendar is the Federal Budget which will be brought down on Tuesday evening 8th May. I'm sure you're all waiting with bated breath!

Top of the charts: A healthy labour market

Australia's labour market has continued its strong run into 2018. As of February employment growth was running at a very healthy 3.5 per cent and the unemployment rate was 5.6 per cent, up two notches from the current low for the cycle of 5.4 per cent.



Critics of our labour market performance point to the considerably higher rates of underemployment with people wanting to work more hours than they are. We also have youth unemployment rates that are disturbingly high in some parts of the country.

That could all be happening with an aggregate labour market that was also weak. That is not the case and Australia is all the better for that.

Australia's demographic story

Update: As expected the latest ABS demographic statistics confirmed a further up-tick in net overseas migration (NOM) in the September 2017 quarter. NOM is running at a moving annual total of just over 250,000, the largest intake in nine years.

Insight: HIA Economics will shortly be releasing an update of our flagship analysis of Australia's housing demand and supply – Housing Australia's Future. Utilising ABS population and Census 2016 data the report considers future economic and demographic scenarios out to 2050 and the corresponding level of housing demand the industry will need to satisfy.

For information regarding the Housing Australia's Future report go to: [HIA Economics publications](#)

The fortnight ahead – key dates and releases (AEDST)

Tuesday 3 April

CoreLogic Home Value Index, March 2018, 9:30am
RBA Interest Rate Decision, April 2018, 2:30pm

Wednesday 4 April

ABS Building Approvals, February 2018, 11.30am

Monday 9 April

HIA-AIG Performance of Construction Index, March 2018, 9:30am

Wednesday 11 April

ABS Building Activity, December 2017 quarter, 11.30am

Thursday 12 April

HIA-CoreLogic Residential Land Report, December 2017 quarter, 11.00am

ABS Housing Finance, February 2018, 11:30am

Wednesday 18 April

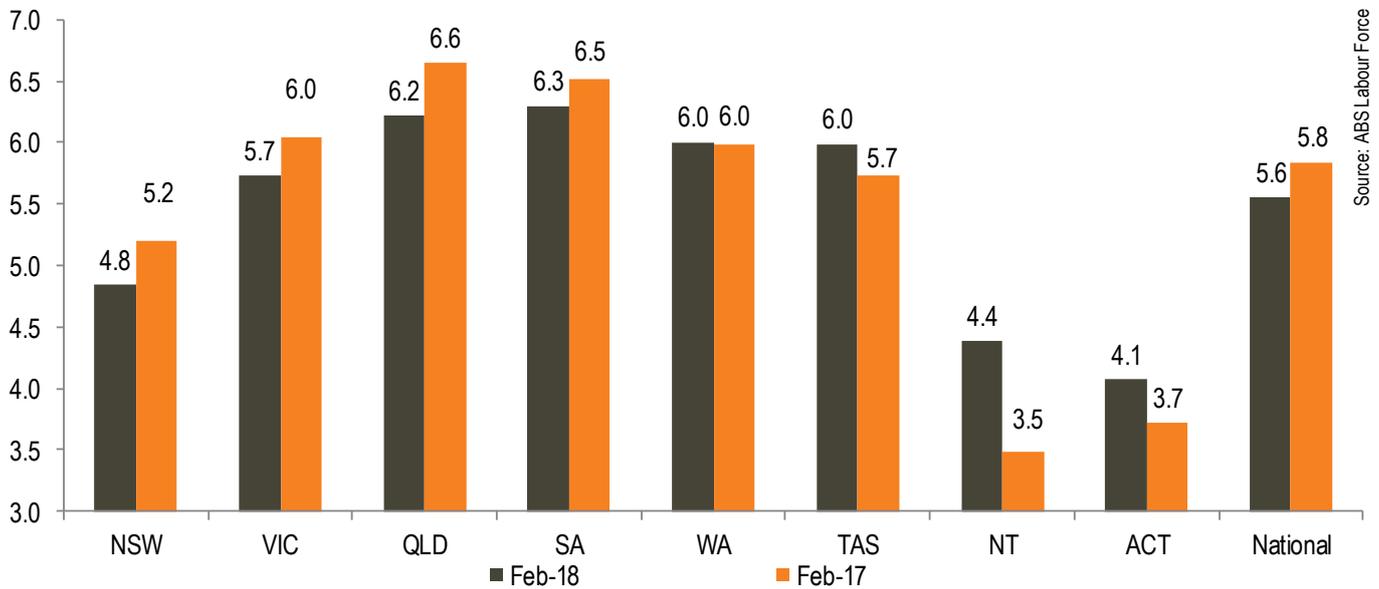
Westpac-Melbourne Institute Index of Consumer Sentiment, April 2018, 10am

Thursday 19 April

HIA Housing Affordability Report, March 2018 Qtr, 11.00am

ABS Labour Force, Australia, March 2018, 11:30am

UnemploymentRate by State - February 2018 vs February 2017



ACI offers tailored industry analysis, forecasts and research on emerging trends, at a national, state and even regional/local level. If you would like to speak to ACI about a potential research project please email info@aciresearch.com.au

For more information on the products and services of Australian Construction Insights (ACI) go to our website aciresearch.com.au



AUSTRALIAN CONSTRUCTION INSIGHTS
Research powered by HIA Economics

CONTRIBUTORS:

Harley Dale

Chief Economist

Disclaimer: This document is produced by ACI based on information available at the time of publishing. All opinions, conclusions or recommendations are reasonably held or made as at the time of its compilation, but no warranty is made as to accuracy, reliability or completeness. Neither HIA nor any of its subsidiaries accept liability to any person for loss or damage arising from the use of this report.