



AUSTRALIAN CONSTRUCTION INSIGHTS
Research powered by HIA Economics

Construction Brief

4 April 2016

Victoria leads the field for non-residential construction

Victoria takes top spot for non-residential construction

Update: The Autumn 2016 edition of the *ACI Construction Monitor* was released recently. The report provides comprehensive analysis, forecasts and unique insights into conditions within the non-residential building and engineering construction sectors. The unique ranking system used by the report highlights Victoria as the number one state for non-residential construction activity. The Northern Territory, the Australian Capital Territory and Tasmania also look relatively strong. The *Construction Monitor* also looks to the future and assesses there to be a strengthening outlook for non-residential construction activity in New South Wales, Victoria and Tasmania. On a sectoral basis, there is a strengthening outlook for: factories; agricultural and aqua cultural buildings; entertainment and recreation buildings; short term accommodation buildings; and roads, highways and subdivisions.

Insight: The old story about mining-related construction activity coming back down to earth while other sectors struggle to fill the void continues to come through in ACI's latest analysis. The contraction in mining-related work means that engineering construction activity continues to fall, and we expect there are at least two more years of this to run. It is now becoming evident that a recovery in non-resource related investment to fill the void is unlikely to occur within this time frame. That doesn't mean there is a universally negative outlook. The detailed analysis in the *ACI Construction Monitor* demonstrates a number of opportunities sitting below the surface.

Population growth continues to ease

Update: Latest demographic statistics from the ABS show the pace of population growth continued to ease during the September quarter of 2015. Australia's population is estimated to have reached 23.86 million at the end of September 2015. This was an increase of around 313,000 people over the year to September and amounts to 1.3 per cent annual growth, the slowest in about a decade.

Insight: Net overseas migration to Australia has eased to its lowest volume in a decade. The changing pattern of global economic conditions is at the root of this. Between 2007 and 2010, our economy remained in good shape while other developed economies fell into recession. As a consequence, Australia was a particularly attractive place to be and we saw population growth accelerate, and a strong flow of migration continued on throughout the mining boom. With improving economic conditions in the US, and in a number of European economies, migration to Australia has become less attractive, hence the fall off in numbers. The divergent fates of the different economies within Australia has also had strong impacts on population growth, with Western Australia and the Northern Territory seeing

the weakest internal migration and Victoria's red hot labour market attracting increasing numbers of migrants from other states.

Top of the charts: Renovations recovery battles on

Update: The latest edition of the HIA *Renovations Roundup* has been released, and explores the story behind the gradual upturn in renovations activity across Australia (see chart below). While new home building activity has probably peaked, Australia's home renovations market continues to eke out a mild recovery. This follows a sharp downturn during the 2011-2013 period, when renovations activity declined by 15.6 per cent. During the 2015 calendar year, renovations activity totalled \$30.38 billion in volume terms..

Insight: Total renovations activity grew for a second consecutive year in 2015, rising by 4.4 per cent. However, the recovery remains quite fragile and there is considerable geographic variation to activity. Several markets are benefitting from the improving labour market along with stronger dwelling price growth. In other places, weak earnings growth, relatively low turnover of established houses and tighter credit conditions are holding activity back.

Renovations Investment in Australia - Moving Annual Total



Further harmonisation of dwelling price growth

Update: Annual dwelling price growth across Australia's eight capital cities eased to 6.4 per cent during March 2016. The pace of price growth has converged significantly since the beginning of the year.

Insight: If 2015 was the year of three-tier dwelling price growth across Australia's capital cities, 2016 looks increasingly like the year that sees the return of a 'one tier' national market. March was the first month since September 2013 that saw single-digit price changes in all capital cities over the previous year. The 'convergence' of price growth rates around the country is a welcome perspective from the point of view of policymaking, and the gentle slowdown of price growth may aid affordability.

For more information on the *Construction Monitor* and *Renovations Roundup* publications visit:

<http://aciresearch.com.au/en/Publications.aspx> or contact Kirsten Lewis at info@aciresearch.com.au.

The fortnight ahead – key releases

Monday, 4 April

ABS Building Approvals, February 2016, 11.30am

Tuesday, 5 April

RBA Interest Rates, 2.30pm

Thursday, 7 April

AI Group-HIA Performance of Construction Index, 9.30am

Monday, 11 April

ABS Housing Finance, February 2016, 11.30am

Tuesday, 12 April

HIA Affordability Report, March 2016, 11.00am

Wednesday, 13 April

ABS Building Activity, December 2015 quarter, 11.30am

Thursday, 14 April

ABS Labour Force, March 2016, 11.30am

ACI Construction Monitor state rankings, Summer 2016**NATIONAL RANKING SUMMARY**

Rank	State	State Score	Change in State Score	Change in Rank	Market Momentum*
1	VIC	32.1	0.9	Up 2	→
2	NT	31.4	-0.1	Unchanged	→
3	ACT	27.6	3.3	Up 3	↑
4	TAS	27.1	-1.0	Unchanged	→
5	NSW	26.9	-5.9	Down 4	↓
6	SA	24.9	2.1	Up 1	→
7	WA	24.4	-1.3	Down 2	→
8	QLD	22.9	2.0	Unchanged	→

*A decline in a state score of more than three is considered to be indicative of declining momentum, an increase of more than three is considered positive momentum and any positive or negative movement of less than three is considered neutral.

Source: ACI Construction Monitor

For further details regarding the latest *Construction Monitor* or other ACI publications please contact info@aciresearch.com.au.

ACI produces a wide suite of publications and research which include the latest industry analysis, forecasts and emerging trends, at a national, state and even regional/local level. If you would like to order publications referenced in this brief please email info@aciresearch.com.au



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