



AUSTRALIAN CONSTRUCTION INSIGHTS
Research powered by HIA Economics

Construction Brief

10 October 2016

Growth Ahoy for Non-Residential Construction!

Growth Ahoy for Non-Residential Construction!

Update: The Spring 2016 edition of *Construction Monitor* has been released, offering up-to-date market-leading analysis of Australia's non-residential construction markets, and well as detailed state-by-state overviews.

Insight: Both non-residential building and engineering construction have the unfavourable distinctions of ranking amongst the weakest sectors of the Australian economy at the moment. The difficulties relating to mining investment are well documented, while the absence of cheer across much of corporate Australia is holding business investment back. However, the ACI *Construction Monitor* foresees some acceleration in non-res building, with engineering construction bottoming out over the coming 12 months. For further details of the ACI *Construction Monitor* see:

<http://aciresearch.com.au/en/Publications.aspx>

New Home Sales end winter on warmer note

Update: The HIA *New Home Sales* report for August 2016 reveals that total sales increased by 6.1 per cent during August, having experienced a significant drop in July. Detached house sales rose by 2.9 per cent during the month – nothing compared to the 17.8 per cent jump in 'multi-unit' sales.

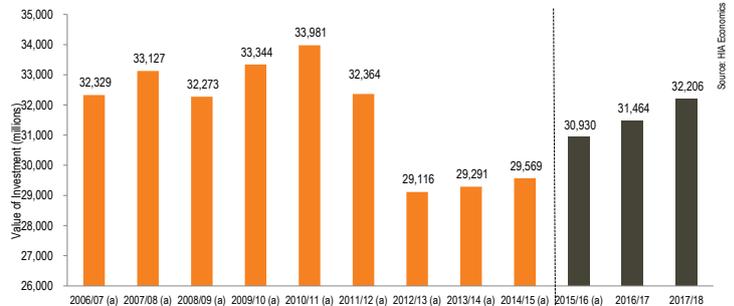
Insight: In geographic terms, the increase in sales during August was pretty broad-based. During the month, detached house sales rose in four of the five mainland states, with Victoria being the only jurisdiction seeing fewer house sales. However, August's building approvals figures from the ABS were a little more sobering: new dwellings approved fell by 1.8 per cent during the month, but were still 10.1 per cent higher than a year earlier. For further details of the HIA *New Home Sales* report see:

<http://hia.com.au/BusinessInfo/economicInfo/EcoPublications.aspx>

Top of the charts: home renovations back on track

Update: The HIA *Renovations Roundup* report for Winter 2016 has just been released. The report is the most comprehensive review of Australia's \$30 billion plus home renovations market, and includes state-by-state forecasts of renovations activity out to the end of the decade. It is expected that expenditure on home renovations will rise from \$31.38 billion in 2016 to \$33.37 billion. However, the market will remain smaller than the \$34.01 billion peak reached back in 2011. In contrast to new home building, renovations activity has struggled in recent years and suffered a 15.4 per cent slump earlier in the decade.

Australia Renovations Forecasts



Source: HIA Economics

Insight: Home renovations is kicking into gear at a helpful time, given the fall-off that is expected on the new home building side over the next few years. Demand is benefitting from the environment of very low interest rates, strong dwelling price growth in key markets, and the process of aging taking place across the detached house stock. However, activity is being held back to some degree by the reduction in established house turnover in all markets over the past year. The latest edition of *Renovations Roundup* can be ordered here:

<http://hia.com.au/BusinessInfo/economicInfo/EcoPublications.aspx>

IMF Trims Growth Forecasts

Update: The International Monetary Fund (IMF) has just updated its world economic forecasts, with a more subdued outlook for advanced economies. The IMF maintains a positive stance on emerging economies, such as India. The projected real GDP growth for the United States is 1.6 per cent in 2016 and 2.2 per cent in 2017, while the US achieved 2.6 per cent in 2015 according to the report. A combination of common factors can account for weaknesses in advanced economies, including a slowdown in China, high debt to GDP ratios, low total factor productivity growth, weak investment, timid inflation, and subdued wage growth.

Insight: For the United States the IMF report states that job creation has been healthy, the housing market is improving, and consumer spending remains robust. The looming threat comes from Italy and its long-suffering banking sector. Under a worst-case scenario, Italy's bank problems could threaten the country's membership of the Eurozone. Italy's banks are neck-deep in nonperforming loans; however, foreign exposure to Italian banks is relatively contained. The IMF argues that the problems with European banks are deeply structural - a toxic brew of: low levels of capital; troubled loans; and business models that no longer deliver profits in an era of low growth and negative interest rates.

The fortnight ahead – key releases

Tuesday, 11 October

HIA Affordability Report, September 2016 quarter, 11.00am

ABS Housing Finance, September 2016, 11.30am

Wednesday 12 October

Westpac-MI Index of Consumer Sentiment, October 2016, 10:30am

ABS Building Activity, June 2016 quarter, 11.30am

Thursday 20 October

HIA-CoreLogic Residential Land Report, June 2016 quarter, 11.00am

ABS Labour Force, September 2016, 11.30am

| Key Construction Indicators | | | | |
|-----------------------------|---|--|--|------------------------------------|
| | Residential building approvals - houses | Residential building approvals - other | Residential building approvals - total | Non-residential building approvals |
| | Number | Number | Number | \$ billions |
| | seasonally adjusted | seasonally adjusted | seasonally adjusted | seasonally adjusted |
| 3 months to August 2016 | 28,626 | 32,239 | 60,865 | 9.17 |
| Quarterly change (%) | -4.2% | 4.8% | 0.4% | 5.2% |
| Q on Q, annual change (%) | -4.2% | 10.0% | 2.8% | 9.0% |
| Latest 12 months | 117,288 | 120,917 | 238,204 | 35.27 |
| Previous 12 months | 119,312 | 115,432 | 234,742 | 32.48 |
| Annual change (%) | -1.7% | 4.8% | 1.5% | 8.6% |

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



AUSTRALIAN CONSTRUCTION INSIGHTS
Research powered by HIA Economics

CONTRIBUTORS:

Shane Garrett Senior Economist

Arif Syed 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.