



AUSTRALIAN CONSTRUCTION INSIGHTS  
Research powered by HIA Economics

# Construction Brief

11 January 2016

## New Year – but old worries resurface

### Will China be the story of 2016?

**Update:** The smoke had hardly cleared from the New Year fireworks when China's economic woes gave us all a sobering blast of reality. The first week of 2016 was one of the worst starts to a new year for global stock markets in a long time, with steep falls on Monday and Thursday triggering the so-called 'circuit breaker' suspension of trading on the Chinese market (the circuit breaker device has since been abandoned). This served as the catalyst for a sweeping sequence of market stress globally.

**Insight:** China's stock market woes caused much turmoil during July and August, but things had quietly been recovering over recent months. This week's events have burst open the old wounds and the question is once again being asked: will China become the next big crisis? The jury is still out on this, and the answer will really only become apparent in the fullness of time. Either way, Australia has a lot at stake given that China is such a big destination for exports and is the source of investment inflows in key areas. For now, it's not all bad news: oil prices are at 12-year lows with consumers and business likely to benefit.

### Approvals show continued easing

**Update:** More evidence of the turn in the new home building cycle came with release of building approvals data for November. These show a monthly decline of 12.7 per cent overall, although in truth the fall was driven almost exclusively by the 24.0 per cent reduction in multi-unit approvals. Detached house approvals, on the other hand, were down by a more measured 3.0 per cent.

**Insight:** We have been calling the end of the new home building boom for some time now, and the latest approvals data fit with this view. During the upturn between 2012 and 2015, multi-units accounted for two thirds of the expansion in activity. As we return to lower levels of building, it is our expectation that multi-units will bear the brunt of the reduction in activity, as indicated by the newly-released approvals data.

### NSW stays top for residential building

**Update:** The latest HIA Housing Scorecard was released last month and shows that the 'Big Two' of New South Wales and Victoria continue to lead the pack in terms of housing activity. The pecking order is very similar to six months ago, and means that NSW topped the bill both for residential and non-residential as evidenced by the most recent *Construction Monitor*.

**Insight:** NSW has really shone over the past year, and on the residential building side it leads with respect to non-FHB loans, new home approvals, detached dwelling commencements, and established house transfers. Victoria

is looking good for renovations activity, and multi-unit dwellings under construction. Western Australia has managed to hold up well in third spot for residential building despite the difficult economic conditions in the state. The latest *Housing Scorecard* shows the Northern Territory as having the toughest time, dropping three spots to last place as the natural resources downturn bites.

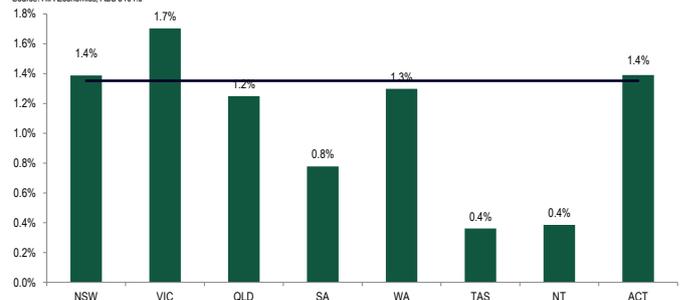
For further information regarding the *Construction Monitor* and the *Housing Scorecard*, contact Stuart Hylton-Cummins at [s.hyltoncummins@aciresearch.com.au](mailto:s.hyltoncummins@aciresearch.com.au)

### Top of the charts – Australia's Population

**Update:** Latest ABS population data for the June 2015 quarter indicate that the below par economic performance continues to weigh on growth in the national headcount and affect migration from state to state. As in affairs economic, NSW and Victoria lead the way for population growth with the mining states starting to slip.

**Insight:** Migration flows follow jobs, and it is no coincidence that Victoria enjoys both the fastest growing workforce and population. Elsewhere, the natural resources downturn has caused population growth in WA and the NT to slip down the table. Along with Tasmania, the NT saw the weakest jobs growth in the year to June while both WA and the NT are still losing migrants to other states. Things are not too bright in South Australia, and the 0.8 per cent population growth rate indicates that people are voting with their feet. Sign of the times.

Annual Population Growth to June Qtr 2015  
Source: HIA Economics, ABS 3101.0



### Preview of Building Activity/PCI

**Update:** ABS data on 20<sup>th</sup> December next will provide an important update on new home building activity during the September 2015 quarter. Our estimate is that new dwelling starts declined gently by around 2.2 per cent during the quarter having peaked during the March 2015 quarter.

**Insight:** Next week's data will provide us with important information on the nature of new home building post-peak, both in terms of magnitude but also the relative shares of detached houses and multi-units and the geographic distribution of the adjustment. Of particular interest is the situation in NSW where the stock of homes approved but not yet commenced soared in mid-2015. How many of these will have kicked off in the September 2015 quarter?

**The fortnight ahead – key releases**

While we have begun a new year, the data releases relating to the final months of 2015 continue to roll out over the next fortnight:

**Wednesday 13 January**

ABS Engineering Construction, September 2015 quarter, 11.30am.

**Thursday 14 January**

ABS Labour Force, December 2015, 11.30am.

**Friday 15 January**

ABS Housing Finance, November 2015, 11.30am.

**Tuesday 19 January:**

ABS Lending Finance, November 2015, 11.30am.

**Wednesday 20 January:**

ABS Building Activity, September 2015 quarter, 11.30am

**Thursday 21 January:**

HIA New Home Sales, November 2015, 10.30am

**HIA Housing Scorecard State Rankings****National Ranking Summary**

Rank	State	State Score	Change in State Score	Change in Rank	Market Momentum*
1	NSW	83	-1	Unchanged	→
2	VIC	77	-6	Unchanged	↓
3	WA	73	-3	Unchanged	→
4	ACT	63	2	Unchanged	→
5	QLD	59	7	Up 1	↑
6	TAS	51	10	Up 2	↑
7	SA	49	3	Unchanged	→
7	NT	49	-12	Down 3	↓

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

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