



**AUSTRALIAN CONSTRUCTION INSIGHTS**  
Research powered by HIA Economics

# Construction Brief

12 September 2016

## Let's not beat ourselves up too much

### Q2 GDP was very good, let's not talk it down

*Update:* The ABS June 2016 quarter National Accounts for Australia looked like a great aggregate result. Australia is out-pacing the western world in terms of economic growth. There is nothing wrong with pausing to celebrate that fact.

*Insight:* The economy may have 'only' grown at half the pace in the June 2016 quarter (0.5 per cent) as in the previous quarter, but annual growth was 3.3 per cent. This is the fastest rate of growth in four years. Sure there are substantial hurdles ahead – we have noted that before. However, last week there seemed a little bit too much focus on the negative aspects of the detail to the latest GDP result.

### RBA: Good on ya, Stevens!

*Update:* As we noted a fortnight ago was on the horizon, Governor Glenn Stevens has now completed his final RBA Board meeting and it is the turn (for an appointment of seven years) of Dr Philip Lowe.

*Insight:* This will be an excellent transition in our view – one Australia can have great confidence in. Gee, Dr Lowe faces some challenges ahead, though! Housing is peaking, non-residential construction is slow to the play, the public sector isn't doing quite as much as the June GDP figures suggest, and the Aussie dollar is still very stubborn. There will always be challenges and risks, however, but what Glenn Stevens has done on his slow journey out the door is up the ante on the lack of parliamentary focus on budget repair and economic reform. Good on ya! Former Federal Treasurer – Peter Costello chimed in on the topic over the weekend, lamenting a lack of policy vision, a point I made early last week. This lack of policy vision is a big roadblock to Australia's future economic prosperity.

### Capex showed some promise

*Update:* During a fortnight when much of the focus involved looking back in time, there were a decent number of forward looking outcomes which were not all negative.

*Insight:* Latest capital expenditure intentions (CAPEX) showed some promise, for example. There was an improved outlook for capital investment in 'Buildings and Structures' in 2016/17, admittedly coming largely from the manufacturing sector. This sector represents a small part of total capital investment these days. It is still a win compared to going backwards. The latest *HIA-Cordell Construction 100* – covering the largest 100 non-residential construction companies in Australia, will be released on September 22<sup>nd</sup>. Go to

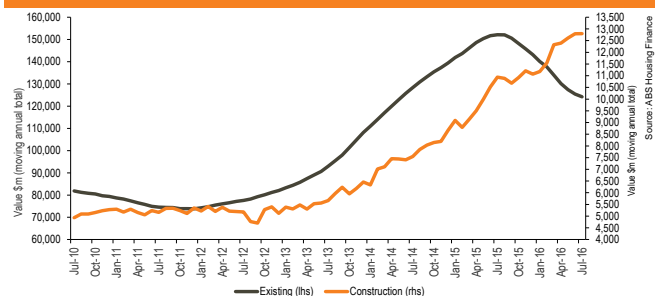
<http://hia.com.au/en/BusinessInfo/economicInfo/EcoPublications.aspx> for further details.

### Top of the charts: new residential investment

*Update:* One result of the ABS Housing Finance release for July was the strong new investment update. The value of lending for investment in new residential property is up by 17 per cent to July 2016 (on a moving annual total basis.) Lending for established property is down by over 18 per cent.

*Insight:* The ABS measure of new lending does not include all investment for new dwellings, so is incomplete compared to lending measures for investment in existing property and owner occupiers. Even allowing for this undercount – something opponents of negative gearing seem to conveniently forget about – the increase in lending for construction of new dwellings is encouraging for the economy.

LENDING FOR RENTAL PROPERTIES - AUSTRALIA



### The world around us ...

*Update:* ...appears a little scatter-brained at the moment. The UK, still recovering from the hair-brained Brexit decision is keen for assistance with free trade negotiations because they've just had 45 odd years of not having to do it themselves. Meetings like the recent G20 are dominated by geopolitical concerns which partially comprise fake Chinese islands. Risks to the Chinese economy appear to have subsided, but in reality probably haven't. Equity markets are up and down (the Australian market hit a two month low last Friday). Getting aboard the conjecture about when a second rate hike occurs in the US generates just as bumpy a ride as ever, as global bond and currency markets get jittery about the future direction of global monetary policy.

*Insight:* A US interest rate rise is an interesting one. Were to become increasingly evident that a rate hike in 2016 was off the cards then there would be further pressure on the Aussie dollar. A scenario of persistent growth in Sydney property prices and upward pressure on our currency would present a challenging pre-Christmas mix for the RBA.

## The fortnight ahead – key releases

**Monday 12 September**

ABS Lending Finance, July 2016, 11.30am

**Wednesday 14 September**

Westpac-MI Index of Consumer Sentiment, September 2016, 10.30am

**Thursday 15 September**

ABS Labour Force, August 2016, 11:30am

**Tuesday 20th September**

ABS Residential Property Price Indexes - Eight Capital Cities, June 2016 quarter, 11:30am

**Wednesday 21<sup>st</sup> September**

HIA-Colorbond steel Housing 100 2015/16, 9:30am

**Thursday 22<sup>nd</sup> September**

HIA-Cordell Construction 100 2015/16, 9.30am

ABS Australian Demographic Statistics, March 2016 quarter, 11:30am

**The annual HIA-Cordell Construction Outlook Breakfast series, proudly supported by Colorbond, commences in Melbourne on Wednesday 21<sup>st</sup> September. The Melbourne event is sold out, but there are still places available for the Sydney and Brisbane events. Go to:**

<http://hia.com.au/ConstructionOutlook>

## Key Construction Indicators

## Housing Finance for Owner Occupiers by Loan Purpose

		<i>For construction of a new dwelling</i>	<i>For purchasing a new dwelling</i>	<i>Total loans for new dwellings</i>	<i>For purchasing established dwellings (excl. refinance)</i>	<i>Total for new and established dwellings (excl. refinance)</i>	<i>Total loans for all dwellings (incl. refinance)</i>
<b>NSW</b>	3 months to July 2016	3,973	2,881	6,854	24,391	31,245	53,007
	Quarter on Quarter	2.6%	19.6%	9.1%	1.9%	3.4%	5.5%
<b>Vic</b>	3 months to July 2016	5,366	2,555	7,921	22,792	30,713	48,335
	Quarter on Quarter	8.6%	19.8%	12.0%	6.8%	8.1%	12.3%
<b>QLD</b>	3 months to July 2016	3,560	1,165	4,725	18,315	23,040	33,385
	Quarter on Quarter	-3.6%	6.6%	-1.3%	0.4%	0.0%	4.1%
<b>SA</b>	3 months to July 2016	1,255	423	1,678	6,151	7,829	12,533
	Quarter on Quarter	-2.0%	11.0%	1.0%	8.4%	6.7%	11.4%
<b>WA</b>	3 months to July 2016	3,280	724	4,004	8,677	12,681	19,594
	Quarter on Quarter	-24.9%	10.4%	-20.3%	-6.9%	-11.6%	-9.3%
<b>Tas</b>	3 months to July 2016	287	115	402	1,759	2,161	3,028
	Quarter on Quarter	6.3%	43.8%	14.9%	-0.3%	2.2%	6.6%
<b>NT</b>	3 months to July 2016	119	45	164	501	665	968
	Quarter on Quarter	-12.5%	15.4%	-6.3%	2.7%	0.3%	-4.5%
<b>ACT</b>	3 months to July 2016	340	266	606	1,648	2,254	3,354
	Quarter on Quarter	42.9%	-9.8%	13.7%	0.2%	3.5%	8.9%

Source: ABS 5609.0

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