



AUSTRALIAN CONSTRUCTION INSIGHTS
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Construction Brief

13 July 2015

China's Stockmarket Woes – does it matter for Australia?

The Great Fall of China?

Update: China's stockmarket has endured a torrid few weeks, with the benchmark Shanghai Composite Index dropping by over 30 per cent since mid-June. This has prompted intervention by Chinese regulators.

Insight: The sharp fall in China's stockmarket marks the end of a boom during which prices rose by about 250 per cent in the course of the year. Margin lending, in which investors borrow heavily for share purchase, is now being blamed for the price surge which began last year. Fears of a Chinese 'Wall Street Crash' have resulted in the suspension of trading in large numbers of Chinese securities and other attempts by authorities to curtail speculative behaviour in the market. There are some signs that regulatory intervention helped stabilise the market towards the end of last week. Iron ore prices dropped to a 10 year low in the midst of the market turmoil. This, and the possibility of lower capital inflows from China, represent significant risks for Australia's economy.

Investor Lending outstrips Owner Occupiers

Update: ABS housing finance data show that investor lending for housing outstripped the owner occupiers in the year to May 2015 for the first time.

Insight: During the year to May 2015, dwelling purchase loans to investors rose to \$147.5bn, higher than the \$144.5bn in housing loans made to owner occupiers. This is the first time that lending to investors has significantly outstripped that to owner occupiers and underlines the importance of investor participation in the current cycle. As well as boosting the pipeline of new home building, an adequate rental supply hinges on investors participation. This is especially important in tight rental markets like Sydney and Melbourne.

Dwelling Price Growth: A Tale of 8 Cities

Update: Dwelling price data from CoreLogic RP Data show that dwelling price growth nationally accelerated to 9.8 per cent annually during June. However, the picture was mixed with price growth strengthening in Sydney and Melbourne but the pace of decline steepening in Perth and Darwin.

Insight: Continued divergence in dwelling prices across Australia's capital cities make it harder and harder to speak of a 'national' market. As the recent NSW Budget demonstrated, strong price growth in Sydney has made stamp duty something of a winner for the state coffers. The issue of stamp duty across each of the states and territories will be explored in detail in ACI's Stamp Duty

Watch, which is released on Wednesday, 15 July. For more information email: info@aciresearch.com.au.

Top of the Charts – Unemployment

Update: ABS data show that unemployment rose slightly to 6.0 per cent in June. Over the previous 12 months, total employment increased by 1.9 per cent or 224,500.

Insight: There is evidence that unemployment has started to ease back since the start of the year, prodded on by the interest rate reductions in February and May. However, there are wide regional disparities. Unemployment in SA hit a 15-year high of 8.2 per cent, while Queensland and Tasmania both saw decent reductions. Whereas part-time employment grew by 2.8 per cent over the year, full-time jobs rose by only 1.4 per cent over the same period. Clearly, there is 'softness' to employment growth stemming from persistent weaknesses in economic activity.

Australia's Unemployment Rate
Source: ABS Labour Force



Another G-Day for the Euro?

Update: Greece defaulted on a EUR1.6 billion payment to the IMF at the end of June, making it the first advanced country ever to do so. Its banks are entering their third week of closure as a result of their emergency funding lifeline being suspended. Negotiations are continuing to try and finalise a third bailout for Greece.

Insight: The new Syriza-led government took power at the beginning of the year on the promise to end years of austerity in Greece. A referendum on a bailout proposal was decisively rejected by the Greek people in a referendum, and subsequent negotiations saw the Greek government propose terms that were even harsher than those rejected by the people. The hardening of Germany's position in negotiations means that a deal will be more difficult to reach. The relatively calm reaction of the markets to the events of the past three weeks means that the prospect of 'Grexit' may not be as dreaded as was the case in the past.

The fortnight ahead – key releases

The fortnight ahead is light on for key updates relevant to the construction industry:

Monday 13 July:

ABS Lending Finance, May 2015, 11.30am.

Wednesday 15 July:

ACI Stamp Duty Watch Winter 2015, 11am

ABS Building Activity, March 2015 quarter, 11.30am.

Thursday 16 July:

ACI Land Report, March 2015 quarter, 11:00am.

Tuesday 21 July:

ACI Housing Scorecard Report, 9.30am.

Wednesday 22 July:

ABS Consumer Price Index, June 2015 quarter, 11.30am.

Thursday 23 July:

HIA Affordability Report, June 2015 quarter, 11.00am.

Building Approvals

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 May 2015	29,293	29,089	58,381	6.76
Quarterly change (%)	1.5%	-1.0%	0.3%	-19.6%
Q on Q, annual change (%)	2.9%	47.4%	21.1%	-7.7%
Latest 12 months	115,686	102,756	218,442	30.89
Previous 12 months	108,205	84,359	192,561	35.06
Annual change (%)	6.9%	21.8%	13.4%	-11.9%

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