



AUSTRALIAN CONSTRUCTION INSIGHTS
Research powered by HIA Economics

Construction Brief

14 March 2017

The RBA keeps interest rates on hold, but could a big spend by President Trump shift the interest rate goal posts?

Surprise! The RBA leaves rates on hold...again!

Update: As widely anticipated, the Board of the Reserve Bank of Australia (RBA) decided to leave the cash rate unchanged at 1.50 per cent and seem determined not to cut the Official Cash Rate (OCR) again.

Insight: The RBA observed that the global economy has continued to improve over recent months, business and consumer confidence have both picked up world-wide, and they note reduced expectations of additional monetary easing in major economies.

The Australian economy is also running quite strongly – the RBA acknowledged the rebound in GDP growth in the December 2016 quarter. The RBA board also pointed out that business confidence, consumer confidence, and consumption growth are all performing at or above average levels. However, the presence of persistent low inflation, weak full time employment growth, and subdued household income growth continue to temper their short term optimism.

What is the outlook for home building in your state?

Update: Last week HIA Economics released the latest edition of the Outlook suite of publications. These publications present Australia's most in-depth look at the residential building industry in each state and territory, and include a comprehensive discussion of our recently released forecasts for residential building activity out to the end of the decade.

Insight: The prevailing dynamics during last year were a marked contraction in the level of activity in Western Australia and the ongoing resurgence in the Victorian and New South Wales markets. While there were changes occurring elsewhere, when we take a national perspective these two factors eclipsed all others. However, we are now well into 2016/17 and approaching a new phase of the cycle which will have a fresh dynamic. How will activity look in your market? Will the post mining boom hangover persist? Will the apartment markets in the east coast capital cities remain strong for another year? To find out, purchase a copy of the Outlook report for Australia or for your state today. Order from:

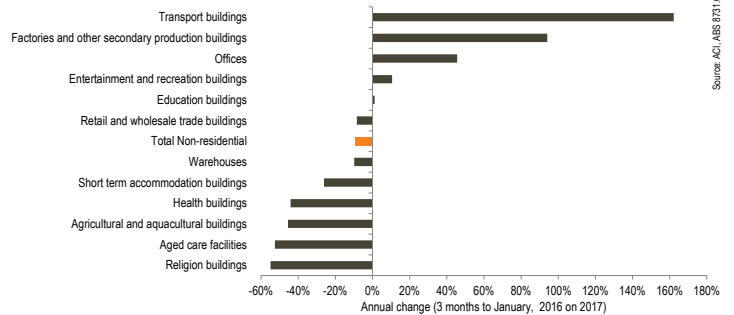
<https://hia.com.au/en/BusinessInfo/economicInfo/EcoPublications.aspx>

Top of the charts: Building approvals reveal divergent conditions in the non-res sector

Update: In seasonally adjusted terms, there was a total of \$2.5 billion worth of non-residential building work approved in the opening month of 2017, which was

down by around 14 per cent on the level recorded in December 2016.

NON-RESIDENTIAL BUILDING APPROVALS



Insight: Despite the monthly decline in work approved, not all sectors of non-residential building hit the skids. As the chart above shows, there are a number of sectors where the value of work approved was substantially higher in the three months to January 2017 compared with a year earlier. We will be going over all latest data covering non-residential building and engineering construction with a fine tooth comb over the next month as we prepare the upcoming publication of the ACI's quarterly Construction Monitor.

The autumn edition of the ACI Construction Monitor report will be released on the 11th of April 2017. Pre-order your copy from:

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

Hey Big Spender!

Update: President Trump plans to boost America's economy by spending up on defence and infrastructure while lowering US business and personal tax rates, and raising trade barriers. What effects would these plans have on the Australian economy?

Insight: President Trump's expansionary and inward-looking measures will cause larger budget deficits and will contribute to higher inflation. This would put added pressure on the US Fed to raise interest rates. The Federal Open Market Committee meet this week and a rate hike is already the expected result. There will be more to come.

Inflation in the US will spread externally and will put pressure on other central banks (including the RBA) to re-evaluate their monetary policy settings. Irrespective of the RBA policy rate, in such a scenario borrowing costs are likely to increase in Australia. Domestic lenders will find their external borrowing costs rising – this would be the cue for more out of cycle rate hikes from the banks.

The fortnight ahead – key releases

Wednesday 15 March

Westpac-MI Index of Consumer Sentiment, March 2017.

Thursday 16 March

ABS Labour Force, February 2016, 11.30am

Tuesday 21 March

ABS Residential Property Price Indexes, December 2016 quarter, 11.30am

Thursday 23 March

HIA Renovation Roundup Report, 11:00am

ABS Australian Demographic Statistics, September 2016 quarter, 11.30am

Key Construction Indicators:

Residential Building Approvals - January 2017

		12 months to Jan 2017	12 months to Jan 2016	Annual Change (%)	Monthly Change (Jan 2017 on Dec 2016)	Quarterly Change (3 months to Jan 2017 on 3 months to Oct 2016)	Quarter on Quarter (3 months to Jan 2017 on 3 months to Jan 2016)	Month on Month (Jan 2017 on Jan 2016)
Australia	Houses	116,333	119,749	-2.9%	-2.2%	-4.2%	-6.9%	-8.7%
	Other dwellings	112,663	119,469	-5.7%	6.6%	-9.4%	-12.6%	-15.4%
	Total	228,996	239,218	-4.3%	1.8%	-6.7%	-9.7%	-12.0%
NSW	Houses	28,721	28,438	1.0%	-5.0%	-8.0%	-7.4%	-11.7%
	Other dwellings	44,595	42,708	4.4%	52.7%	-22.4%	-14.1%	28.1%
	Total	73,316	71,146	3.1%	24.0%	-16.8%	-11.3%	9.4%
VIC	Houses	36,340	34,710	4.7%	-1.5%	-0.7%	-0.3%	-1.5%
	Other dwellings	31,898	34,859	-8.5%	-8.6%	28.4%	26.0%	4.6%
	Total	68,238	69,569	-1.9%	-5.3%	12.0%	11.4%	1.5%
QLD	Houses	23,974	23,743	1.0%	-5.6%	-2.9%	-6.2%	-9.0%
	Other dwellings	21,097	26,458	-20.3%	-22.8%	-41.3%	-58.2%	-70.5%
	Total	45,071	50,201	-10.2%	-11.9%	-20.9%	-34.5%	-45.4%
SA	Houses	8,091	7,940	1.9%	-0.8%	-5.2%	-9.4%	-14.6%
	Other dwellings	3,500	3,248	7.8%	25.9%	24.5%	-18.0%	-21.3%
	Total	11,591	11,188	3.6%	6.5%	2.1%	-12.2%	-16.9%
WA	Houses	15,351	20,642	-25.6%	5.5%	-4.5%	-18.3%	-13.4%
	Other dwellings	5,953	7,821	-23.9%	-1.0%	57.7%	8.2%	-36.9%
	Total	21,304	28,463	-25.2%	3.5%	9.2%	-11.3%	-21.8%
TAS	Houses	1,794	2,257	-20.5%			-11.6%	-23.3%
	Other dwellings	340	496	-31.5%			-21.2%	223.1%
	Total	2,134	2,753	-22.5%			-13.3%	-1.4%
NT	Houses	821	929	-11.6%			-12.6%	0.0%
	Other dwellings	477	735	-35.1%			-57.9%	122.2%
	Total	1,298	1,664	-22.0%			-31.2%	28.6%
ACT	Houses	1,250	1,056	18.4%			8.4%	-5.9%
	Other dwellings	4,826	3,159	52.8%			110.2%	-33.3%
	Total	6,076	4,215	44.2%			76.4%	-27.3%

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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CONTRIBUTORS:

Geordan Murray Economist
Arif Syed Economist

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