



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

# Construction Brief

16 January 2017

## The imminent arrival of 'the Trump' ...

### Here comes the 'Trump'

*Update:* Inauguration day in the United States is fast approaching. The era of 'Trumpism' is almost upon us. Conjecture is rampant; uncertainty is high. Nobody knows quite what the US, Australia, and the world will get from a new US president who wasn't expected to win until he did.

*Insight:* In a sign of things to come, financial markets reacted negatively to a lack of information regarding tax cuts and infrastructure spending in president-elect Donald Trump's press conference last week. On the day equity markets stumbled backwards and US treasuries rallied a tad (i.e. bond yields were lower). Currencies generally firmed against the US dollar. At the end of last week the Aussie dollar was around US\$0.75 and iron ore remained over US\$80 a tonne. The conventional wisdom, however, is that in 2017 the US bond market will sell off (i.e. bond yields will rise), the US dollar will strengthen (meaning the Aussie dollar would fall against it), and commodity prices will decline. That is the most likely scenario, but it is going to be a bumpy ride with the words that lead the actions of Donald Trump set to generate increased uncertainty.

### Non-res construction to provide opportunities

*Update:* As we implied above, US-related jitters and uncertainty are likely to intensify before (hopefully) settling down. Media coverage will be extreme. Through all this there are positives to focus on for Australia's construction industry.

*Insight:* As we noted in the final *Construction Brief* for 2016, there are some 'green shoots of a recovery emerging from some non-mining parts of non-residential construction'. Further detail is available in the latest ACI *Construction Monitor*. See

<http://aciresearch.com.au/en/premium-products.aspx>

### Top of the charts: Residential approvals still looking healthy

*Update:* The latest ABS Building Approvals for November 2016 provide a reminder of further healthy outcomes for the national new home building sector. Total seasonally adjusted approvals increased by 7.0 per cent last November with 'multi-units' up by 17.3 per cent and detached houses ticking down by 0.4 per cent. A media release can be found at:

<http://hia.com.au/en/IndustryPolicy.aspx>

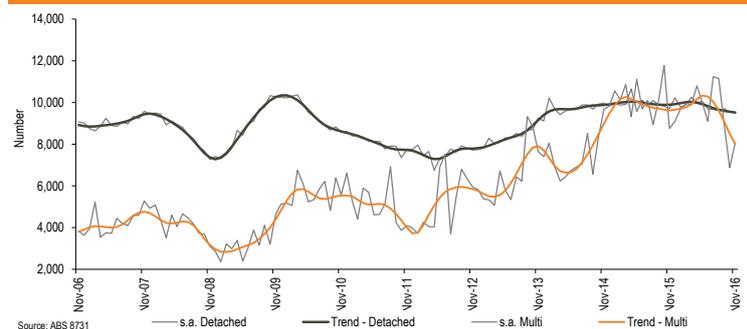
*Insight:* The new residential building approvals cycle has peaked, but there is a long tail. The six month annualised level of building approvals is running at nearly 211,000, 14 per cent lower than the peak reached

in May 2016. Aggregate new housing forecasts can be found at:

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

A more detailed outlook, which among other things highlights further growth for semi-detached dwellings, is available through our composition forecast product. See: <http://aciresearch.com.au/en/premium-products.aspx>

Building Approvals - Australia



Source: ABS 8731

### Some positives to the global backdrop

*Update:* What happens in the era of 'Trumpism' is a very open question – we noted the heightened uncertainty earlier. It will be easy to slip automatically into a mood of pessimism, but let's remember there will be good as well as bad for Australia stemming from international economic forces in 2017. For example, we may be seeing signs of recovery in the world industrial production cycle, engendering demand for resource commodities. That would be a tick for Australia.

*Insight:* Should such a production recovery cement itself as the Australian dollar falls – a possible scenario – then that would be helpful for an Australian economic recovery. Think on-going healthy resources demand, together with a spur-on to sectors such as tourism and education. The Commonwealth's chief commodity forecaster has projected the value of Australia's resources and energy exports to be around \$202 billion in 2016/17, displaying a yearly growth rate of 30 per cent. The sting in the forecasting tail is that price increases in 2016 for commodities like coking coal and iron ore won't last. However, 12 months ago nobody expected to get those price gains in the first place! The point is that there will be opportunities as well as negatives to a Trump presidency when it comes to the influence his administration will have on the Australian economy. In the mega-Trump focus that is now descending upon us, let's not forget to keep an eye out for those opportunities.

**The fortnight ahead – key releases**

**Monday 16 January**

ABS Regional Building Approvals, November 2016  
11:30am

**Tuesday 17 January**

ABS Housing Finance, November 2016 11:30am

**Wednesday 18 January**

Westpac-MI Index of Consumer Sentiment, January  
2017 9:30am

ABS Construction Work Done, September 2016 qtr  
11:30am

**Thursday 19 January**

ABS Labour Force, December 2016 11:30am

**Friday 20 January**

HIA New Home Sales Report, November 2016 11:00am

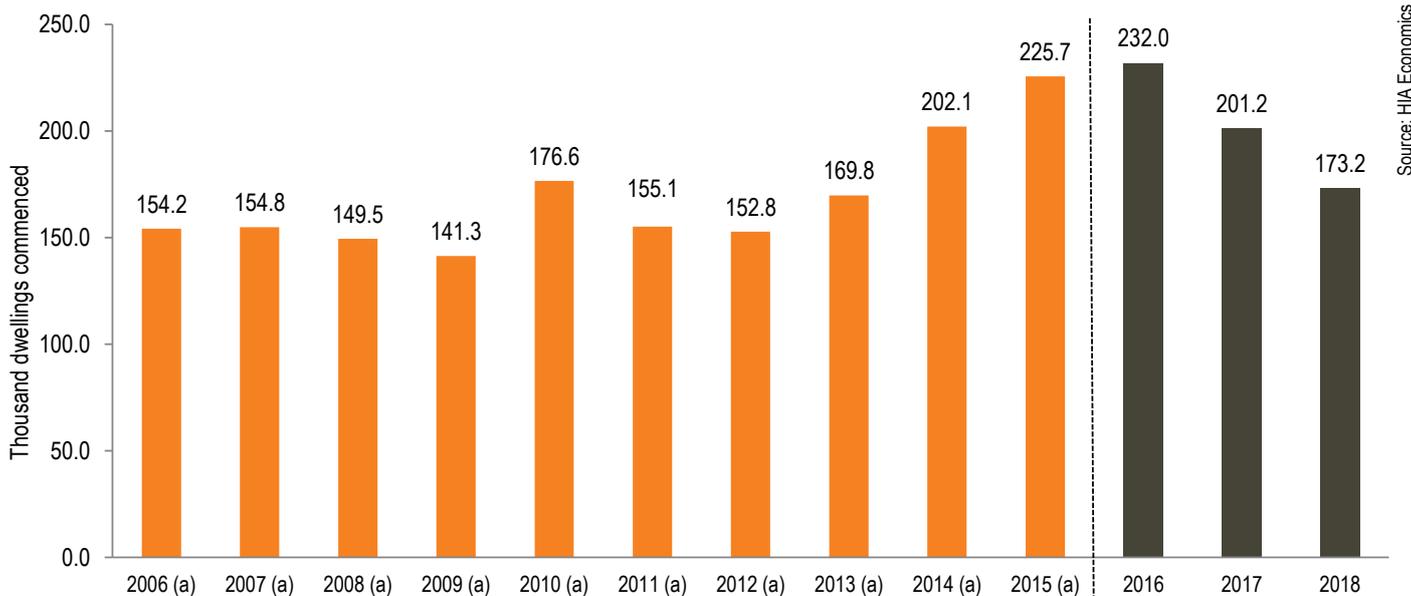
**Wednesday 25 January**

ABS Consumer Price Index, December 2016 qtr  
11:30am

**Thursday 26 January – Happy Australia Day!**

Key Construction Indicators:

**Australia Housing Starts Forecasts**



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](mailto:info@aciresearch.com.au)



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

**CONTRIBUTORS:**

**Harley Dale** Chief 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.*