



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

# Construction Brief

20 June 2016

## Brexit anybody?

### The looming Brexit decision

*Update:* Brexit sounds a little bit like a new brand of cereal, but in reality it is the latest factor driving renewed angst and uncertainty about the global economic outlook.

*Insight:* The referendum regarding whether the United Kingdom remains part of the Eurozone or not is being held on June 23<sup>rd</sup>. We'll know the outcome late Friday morning AEST. A vote to leave the Eurozone would generate some further downside for equity markets – last week was the worst in four months for the Aussie bourse. The Aussie dollar would depreciate against the USD. An exit vote is far from a foregone conclusion and wouldn't end the focus and uncertainty either – that could go on for years with many conflicting views along the way as to longer term repercussions.

### Here at home, confidence did okay

*Update:* Regardless of global jitters and Brexit fears, consumer confidence in Australia held up quite well in June. Business confidence doesn't get quite the same tick for May.

*Insight:* The NAB Business Survey for May 2016 showed business confidence dipping moderately to a below average level of +3. Pleasingly, business conditions registered +10 for the second consecutive month – an above average result. The consumer confidence result didn't lose much in June 2016 following a decent surge in May. We should get a healthy household consumption outcome in Q2 following the impressive 3.0 per cent annual growth in March. The risk lies in what happens to confidence and spending in 2016H2, in terms of business and dwelling investment, and household consumption.

### A raft of information on Australia's construction markets

*Update:* The performance of our residential and non-residential construction sectors in 2016/17 will play a vital role in Australia's overall economic growth. ACI's latest new housing forecasts that provide a breakdown between detached, semi-detached, low density, medium/high density dwellings are now available; for dwelling completions as well as commencements. Contact [info@aciresearch.com.au](mailto:info@aciresearch.com.au) for further details.

*Insight:* We have a relatively healthy short term outlook for new home construction, together with further recovery in the renovations sector. The outlook for dwelling price growth is also vital – our research on this topic is included on the HIA's election website – <https://hia.com.au/election>

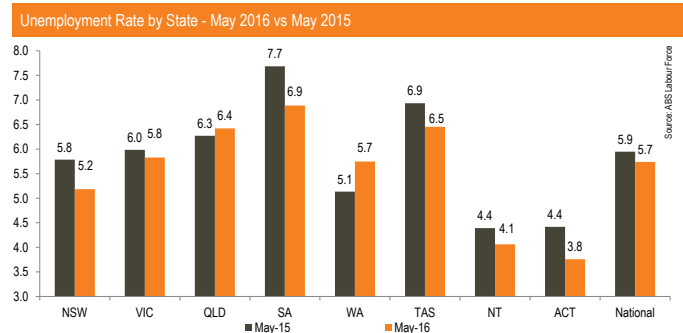
Geographical divergences in construction conditions, in addition to large sectoral differences in Australia's non-residential markets are key areas of focus in our upcoming research. Our latest *Housing Scorecard* will be released on June 23<sup>rd</sup> and will highlight the relative strengths and weaknesses of state and territory housing markets. Our flagship ACI report – the *Construction Monitor* will be released on June 30<sup>th</sup> and will include analysis of state, territory and sectoral conditions for Australia's commercial building and engineering construction markets. See

<http://aciresearch.com.au/en/premium-products.aspx> or contact [info@aciresearch.com.au](mailto:info@aciresearch.com.au)

### Top of the charts: Australia's unemployment rates

*Update:* The update for Australia's labour market in May 2016 included modest growth in employment and the unemployment rate holding steady at 5.7 per cent.

*Insight:* While labour market data is a lagging indicator of economic performance, the differences in unemployment rates across states and territories certainly provide further evidence of the divergences in economic and construction market conditions. Note how the labour market performance of New South Wales over the last year is consistent with strong economic and housing conditions.



### US rate watch

*Update:* The Federal Open Market Committee (FOMC) voted unanimously to hold fire on a further interest rate hike in the United States in June. This outcome was universally expected.

*Insight:* Uncertainty around the Brexit vote was one reason Fed Chair Janet Yellen provided for the FOMC decision. A home grown focus on a slowdown in the labour market was another. Markets now expect only one rate increase through 2016H2. Bear in mind the situation is very fluid, but any hikes around the US presidential election in November are unlikely. So, one hike (or maybe even two) would need to happen over the July – September period, or in December. Conjecture will continue to ebb and flow.

**The fortnight ahead – key releases**

**Tuesday, 21 June**

ABS Residential Property Price Indexes, March 2016 qtr, 11.30am

**Wednesday, 22 June**

HIA Housing Scorecard, 'Winter' 2016 edition, 11.00am

**Thursday, 23 June**

ABS Australian Demographic Statistics, December 2016 qtr, 11.30am

**Wednesday, 29 June**

HIA New Home Sales, May 2016, 11.00am

**Thursday, 30 June**

ACI Construction Monitor, 'Winter' 2016 edition, 11.00am

**Friday, 1 July**

CoreLogic RP Data Home Value Index, June 2016, 9.30am

ACI **Regional Forecasts** will be available from this Friday 24<sup>th</sup> June. These forecasts cover new dwelling commencements in major regional areas for all eight states and territories. For further details regarding ACI's forecasting services, publications or research please contact [info@aciresearch.com.au](mailto:info@aciresearch.com.au).

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)



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