



AUSTRALIAN CONSTRUCTION INSIGHTS
Research powered by HIA Economics

Construction Brief

22 January 2018

Construction still shining amid a red hot start to 2018

Smiles all around at the start of 2018?

Update: This year has got off to something of a bang. Talk of a 'synchronised global recovery' is widespread, commodity prices are holding up well. The AUD/USD is poking its head above USD\$0.80. US equity markets have been on fire amidst historically very low volatility. Here at home yet another strong labour market report last week generated glowing headlines and a smiling Prime Minister. Consumer confidence chimed in by hitting a 3+ year high.

Insight: There is certainly more optimism about in early 2018 than at the start of any other year since before the GFC. China looks to still be okay (at now for least) and economic updates for both the United States and Europe have got people feeling rather bullish about the prospects for 2018. Where everything goes from here will be interesting. How long US equity markets keep up their hefty stride is just one example. The upbeat exterior is masking considerable uncertainty about the economic outlook – more regarding the 2018/19 fiscal year than the first six months of 2018. A glaring example is the range of forecasts for the AUD/USD which have a high of USD\$0.88 and a low of USD\$0.65. That's extraordinary!

The construction industry looks in good shape

Update: Here at home the latest ABS Dwelling Commencements data released last week (for the September 2017 quarter) certainly formed part of the economic rosiness evident in early 2018. Commencements reached their highest level since the end of 2016 and over the 12 months to September 2017 were running at a level of nearly 218,000. There have now been 12 consecutive quarters where annualised commencements have exceeded 200,000 dwellings.

Insight: The aggregate result for new dwelling commencements fell within 0.5 per cent of the HIA's forecast. There is unlikely to be any material change to our national dwelling commencements forecasts. For information on our suite of forecasts visit: [HIA Economics Forecasts](#)

Where to from here?

Update: The short term answer to this question is: to a pretty good place.

Insight: Building approvals are displaying a strong, renewed upward trend, driven by multi-units. New home lending is holding up well at elevated levels. It looks like new home building is carrying some momentum into

2018. That's good news for the sector and the broader domestic economy. As always, we recognise that the headline story masks considerable variations in new home building conditions around the country. This year will be another one marked by the need to be sharply focussed on 'local' conditions.

Don't forget non-residential construction. The large infrastructure projects on the eastern seaboard are paying dividends. Private non-residential building is strengthening, as we predicted would be the case. This year will be a much healthier one for non-residential construction, but once again the geographical differences will be wide.

Top of the charts: Australia's buoyant labour market

Australia's labour force result for December last year was a confidence boosting one for the Australian economy. Employment growth accelerated to its fastest pace (3.3 per cent) since before the GFC and a total of nearly 35,000 jobs were created in the month. It was nice to see positive economic headlines for a change! In terms of unemployment, the rate was lower in December 2017 than a year earlier in every state except Victoria where the rate held steady. The unemployment rate was sharply higher in the Northern Territory and up a tick in the Australian Capital Territory.

Unemployment Rate by State - December 2017 vs December 2016



Equity markets – go you good thing?

Update: Last week the Dow Jones index broke through the 26,000 mark for the first time. The S&P500 equalled the record for the longest number of days (394 for the record) without suffering a fall of 5 per cent or more.

Insight: Where will it end? Nobody knows. The consensus seems to be for the rally to continue for now. That may lift our share market which hasn't basked in the US sunshine over the last couple of weeks.

The fortnight ahead – key dates and releases (AEDST)

Tuesday 30 January

HIA Housing Australia's Future, 11am

Wednesday 31 January

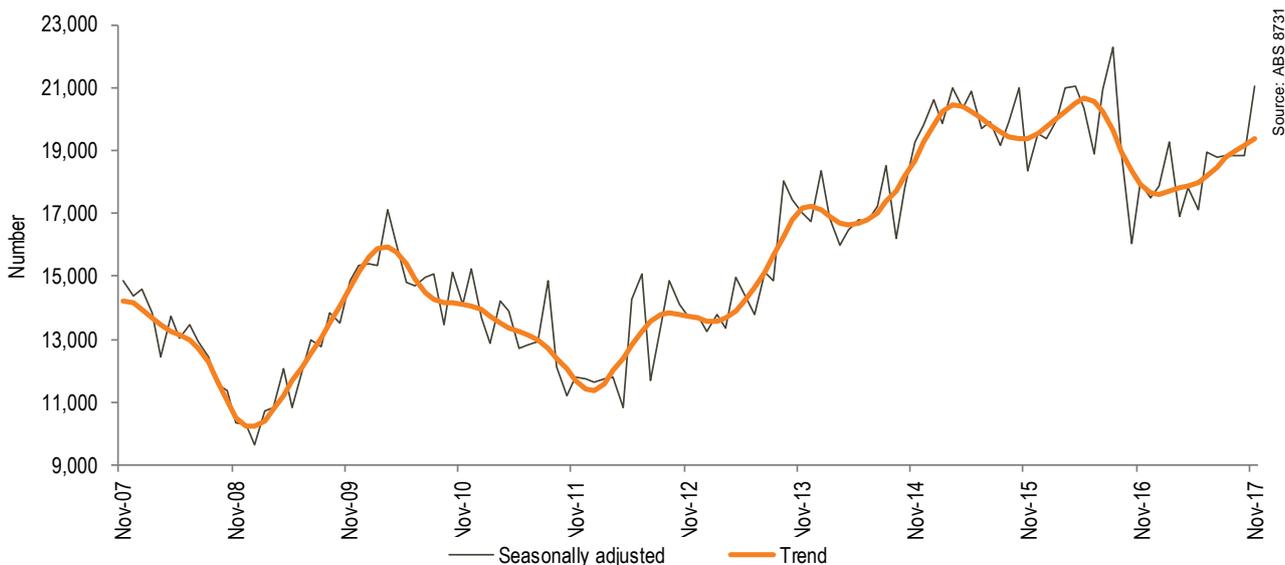
ABS Consumer Price Index, Australia, December Qtr 2017, 11.30am

Thursday 1 February

CoreLogic Home Value Index, January 2018, 10am

ABS Building Approvals, Australia, December 2017, 11.30am

Monthly Building Approvals - Australia



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