



AUSTRALIAN CONSTRUCTION INSIGHTS
Research powered by HIA Economics

Construction Brief

23 March 2015

Central banks 'speak out'

Australia's changing housing mix

Update: We released a HIA Economics Discussion Paper on March 19th – *The Changing Composition of Australia's New Housing Mix*.

Insight: The paper discusses elements of supply, demand and the policy environment which are influencing the change currently occurring in Australia's new home construction mix. The discussion also dissects cyclical influences from the more permanent structural changes. [Click here to download.](#)

ABS update and Housing Australia's Future

Update: March 19th turned out to be a busy day, where the release of the ABS *Household and Family Projections* publication also featured. The ABS's research includes some detail regarding the types of households that are likely to form in the future.

Insight: The analysis is similar to the *ACI Housing Australia's Future* publication and research released last year, [click here](#). Future demand for new housing is most likely to fall in an 185,000 to 200,000 per annum range in coming decades. Over the last 50 years the average build level is 135,000; over the last 25 years the average is 152,000. 'Do the math'.

Construction employment

Update: ABS data shows that the construction labour force contracted by around 1.3 per cent over the quarter ending February 2015, although with a workforce of 1.05 million people, the industry remains around 4.6 per cent larger than the same time a year earlier. It also remains the third largest workforce in the country (behind the health care and retail sectors).

Insight: There is significant divergence in labour market conditions, both geographically and around the various sectors within the construction industry.

The largest gain in construction employment was in Residential Building Construction (up by 12,900 jobs, 14.1 per cent year on year). The Heavy and Civil Engineering Construction, Construction Services, and Non-Residential Building Construction groups all recorded a decline in number of people employed compared with a year ago. The largest fall was evident in Non-residential Building Construction (down by 31.4 per cent), followed by Heavy and Civil Engineering Construction (down by 13.9 per cent).

Compared with a year ago, the number of workers employed in construction at the end of February increased in New South Wales (by 1.2 per cent), Western Australia (by 4.0 per cent), Tasmania (by 11.2

per cent) and the ACT (by 27.8 per cent). Construction employment fell in Victoria (by 1.3 per cent), Queensland (by 5.6 per cent), South Australia (by 14.9 per cent), and the Northern Territory (by 14.3 per cent).

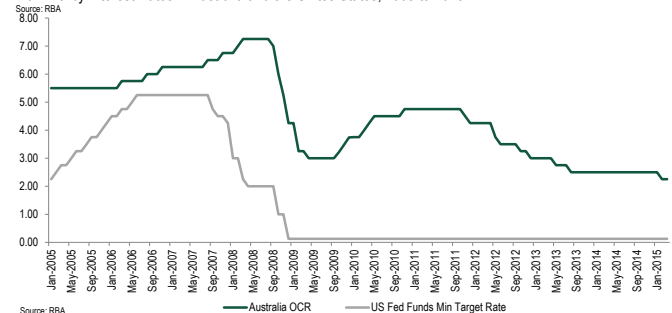
Commodity prices and non-res construction

Update: The price of iron has dropped below US\$60 per tonne since our last brief, and kept going ... As at March 19th – there's that busy date again – the price was \$US55. Coal (Rotterdam, \$ per tonne) is at 61.

Insight: There is considerable focus on declining commodity prices and iron ore could reach 50 or a little less by mid-2015. That's bad for resource-related investment, but let's keep our eyes elsewhere. Traditional infrastructure investment is slow to gather traction in Australia, but there's great potential out there and post the NSW state election will be in interesting period ...

Top of the Charts – Interest rates on the move?

Main Policy Interest Rates in Australia and the United States, 2005 to 2015



Update: The latest RBA Board minutes have been released and people got pretty excited. The minutes included the reference "... members judged it appropriate to hold the cash rate steady for the **time being**, ..."

Insight: Financial markets love sifting through the strands of sand to central bank statements and the words 'time being' produced a gem – so it was worth having the bucket and spade. The use of these two words tends to precede a rate change, so there is now a clearer signal that interest rates will be reduced further. Let's just get on with it on April 7 ...

Major economic development

Update: Wording was the name of the game for US interest rates also. A key communication from the US Federal Reserve has dropped the word 'patient' from its discourse, seemingly opening the door for a first rate hike since 2006, ...

Insight: ... but maybe not just yet. Downgrades to Fed interest rate projections have seen timing expectations for a first rate hike pushed out. Major currencies, including our Aussie, rose on the news, but then the \$A

settled back to near \$US76 a day later. Keep a close eye, though, a June rate hike in the US still remains a distinct possibility once the dust settles.

The fortnight ahead – key releases

The fortnight ahead will see a number of key updates relevant to the construction industry:

Thursday 26 March:

ABS Australian Demographic Statistics, September Qtr 2014, 11:30am.

Friday 27 March:

HIA-GWA *Kitchens and Bathrooms Report: current growth and future prospects 2014/15*, 12:00pm.

Tuesday 31 March:

HIA/ACI *New Home Sales*, February 2015, 11:00am.

Wednesday 1 April:

CoreLogic-RP Data Residential Property Prices, March 2015, 10:00am;

ABS Building Approvals, February 2015, 11:30am;

ABS Engineering Construction Activity, December Qtr 2014, 11:30am.

The Federal Government's White Paper on Taxation process may commence at some point in this fortnight

Key construction indicators – Construction Employment Update

	Residential Building Construction		Construction Services		Heavy and Civil Engineering Construction		Non-Residential Building Construction		Other construction	
	Workforce ('000)	Year on Year Change	Workforce ('000)	Year on Year Change	Workforce ('000)	Year on Year Change	Workforce ('000)	Year on Year Change	Workforce ('000)	Year on Year Change
New South Wales	34.3	8%	192.2	0%	21.5	2%	8.2	-24%	51.7	1%
Victoria	28.4	27%	165.7	-1%	10.9	-40%	7.8	-34%	34.6	-1%
Queensland	16.1	-5%	133.2	-11%	25.3	4%	7.6	-44%	36.4	-6%
South Australia	6.2	0%	41.5	-10%	3.2	-32%	0.4	-79%	6.9	-15%
Western Australia	12.6	11%	95.3	11%	10.1	-28%	5.4	4%	15.8	4%
Tasmania	2.1	75%	11.9	28%	1.4	-36%	0.4	33%	2.1	11%
Northern Territory	2.3	156%	8.3	-28%	1.3	-32%	0.8	167%	2.9	-14%
Australian Capital Territory	2.6	225%	12.1	57%	1.1	57%	0.6	-63%	0.6	28%
Total	104.6	14%	660.3	-1%	74.8	-14%	31.2	-31%	150.8	-1%

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