



AUSTRALIAN CONSTRUCTION INSIGHTS  
Research powered by HIA Economics

# Construction Brief

25 January 2016

## Is the world falling apart?

**No, the world is still 'together', but ...**

**Update:** ... it has certainly been a wobbly start to 2016. China has been a prominent focus of concern in early 2016 – we will have more to say about that beyond the *Construction Brief* later this week.

**Insight:** Cutting through that customary 'slow January' news month where bad news becomes 'awful', awful news 'terrible', and terrible news 'horrendous', one could argue it has been an atrocious start to 2016! Equity markets, oil prices, broader commodity price weakness, a 'slowdown in China', and the 'biggie (though least talked about) – a huge bubble of debt in developing economies, with China out in front holding the flag!

**Should we be worried about China?**

**Update:** More so than we used to be, a situation we first pointed out was going to develop over 18 months ago now. However, let's be watchful and alert, rather than hysterical.

**Insight:** Even for a publication that doesn't like focussing on bad news, we have to admit that the start to 2016 has been rather poor. A negative focus on China has been a big part of that. Nobody believes China's official growth numbers, yet all the recent talk about a slowdown in China is based around these very same numbers! Markets even came up with forecasts for China's economic growth in the latest quarter based on the numbers they don't find credible. Go figure! In seriousness, the Chinese economy is facing a more troubled time, largely but not solely because it owes a mountain of debt, but the real economy is in better shape than widely suggested. If China was to fall over, Australia would be in a world of hurt.

**New housing starts set a fresh record**

**Update:** Turning to positive news, new dwelling commencements in Australia increased to a fresh record in the September 2015 quarter (and the year to September). Total new dwelling commencements increased to over 215,300 dwellings in the 12 months to September last year. That level is over 15 per cent higher than the previous peak reached back in 1994.

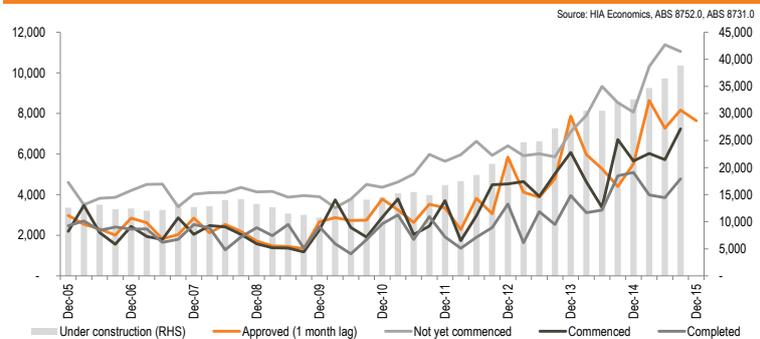
**Insight:** We've often referred to new housing as being the star of the Australian economy in recent years – a very accurate description which last week was vindicated in spades. The devil does, however, remain in the detail. There are vast differences in new housing conditions across states and territories and dwelling types. That is why we developed the unique dwelling by composition forecasts, which we will be updating shortly. See <http://aciresearch.com.au/en/premium-products.aspx> or contact Stuart Hylton-Cummins at [s.hyltoncummins@aciresearch.com.au](mailto:s.hyltoncummins@aciresearch.com.au)

**Top of the charts – the NSW apartment pipeline**

**Update:** New South Wales is the growth engine of Australia's residential construction industry and, as a direct result, has the strongest economy in Australia.

**Insight:** NSW continues to enjoy broad-based strength to its housing-led recovery, within which medium/high density dwellings remain a key player due to the importance of the Sydney market. Check out the chart below – that's a huge pipeline of work. Barring an external economic shock - from China, for example - most of the pipeline should get built. Let's hope so!

### SNAPSHOT OF THE BUILDING ACTIVITY PIPELINE - FLATS, UNITS AND APARTMENTS



**Australia's medium density building market**

**Update.** New 'deemed to satisfy' (DTS) provisions for timber frame construction of class two buildings in the Building Code of Australia are scheduled to take effect in February 2016. These new provisions will apply to timber frame construction of class two buildings up to 25 metres in height.

**Insight.** ACI has undertaken a comprehensive investigation into the volume of class two buildings with regard to the number of storeys, dwellings, and building costs. In the first instance this research will be of particular value to the timber industry. For further details regarding ACI's unique research on this topic please contact Stuart Hylton-Cummins on 02 6245 1355 or at [s.hyltoncummins@aciresearch.com.au](mailto:s.hyltoncummins@aciresearch.com.au)

**Don't forget the US recovery**

**Update.** As a final point for this edition we highlight the ongoing recovery in the United States economy.

**Insight.** This year should be a pretty good one for the US economy as upward momentum continues. This is very significant for the world economy at a time where the risks are greater and the stakes are higher than was the case ahead of the GFC. The FOMC meeting later this week (post meeting statement released Thursday morning AEDST) in the US will be a key update as to how inclined the Federal Reserve still is to implement a second interest rate increase for the cycle in March.

**The fortnight ahead – key releases**

The data releases relating to the final months of 2015 continue to roll out over the next fortnight, as a couple of 2016 updates come into play:

**Monday 25 January**

NAB Monthly Business Survey, December 2015, 11.30am.

**Wednesday 27 January**

ABS Consumer Price Index, December 2015 quarter, 11.30am.

**Friday 29 January**

ACI Affordability Report December 2015 quarter, 11.00am.

**Monday 1 February**

CoreLogic RP Data Hedonic Home Price Value Index, January 2015, 10.00am.

**Tuesday 2 February**

RBA Interest Rate Decision, 2.30am

**Wednesday 3 February**

ABS Building Approvals, December 2015, 11.30am

**HIA New Home Sales****NEW HOME SALES: PERCENTAGE CHANGE**

	Private Houses					Multi-Units	Total	
	NSW	VIC	QLD	SA	WA	AUS	AUS	
<b>3 months to Nov 14</b>	3,835	4,990	3,591	1,389	4,500	18,396	4,044	22,440
<b>3 months to Aug 15</b>	4,065	5,228	3,808	1,203	3,961	18,265	5,564	23,829
<b>3 months to Nov 15</b>	4,173	5,185	3,814	1,042	3,300	17,514	4,909	22,423
<i>% change on previous 3 months</i>	<b>2.6%</b>	<b>-0.8%</b>	<b>0.2%</b>	<b>-13.4%</b>	<b>-16.7%</b>	<b>-4.1%</b>	<b>-11.8%</b>	<b>-5.9%</b>
<i>% change on same 3 months of previous year</i>	8.8%	3.9%	6.2%	-25.0%	-26.7%	-4.8%	21.4%	-0.1%

**Note:** All comments and percentage movements relating to Net Sales refer to data that have been calculated after allowing for seasonal influences.

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

*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.*