



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

# Construction Brief

27 September 2016

## Things to start turning for non-residential construction?

### \$74 billion in contracts for Australia's Top 100

*Update:* The HIA-Cordell Construction 100 2015/16 is hot off the press and shows that Australia's largest 100 construction firms were awarded contracts worth a total of \$74.01 billion during the 2015/16 financial year. Overall, CPB Contractors claimed the top spot on the list, followed by Lendlease (building engineering and services - Australia) in second and Laing O'Rourke Australia in third spot. The strong performance of residential building was covered in the latest Housing 100 report which ranks Australia's leading homebuilders.

*Insight:* Non-residential construction is a tough field to play in at the moment, but the HIA-Cordell Construction 100 Report for 2015/16 reveals some interesting patterns. Civil engineering is the big winner due to the rollout of large government infrastructure projects. High rise residential was also a growth area last year. From a geographical perspective the vast majority of the pick-up in activity was in the eastern seaboard states. See: <http://hia.com.au/en/BusinessInfo/economicInfo/EcoPublications.aspx>

### What awaits construction in 2016/17?

*Update:* Looking ahead, the Spring 2016 edition of the ACI *Construction Monitor* is due for release this Thursday 29<sup>th</sup> September. As well as offering unrivalled coverage of every segment of the non-residential construction market across each of the states and territories, the report will reveal our latest forecasts for the subsectors of non-residential building and engineering construction.

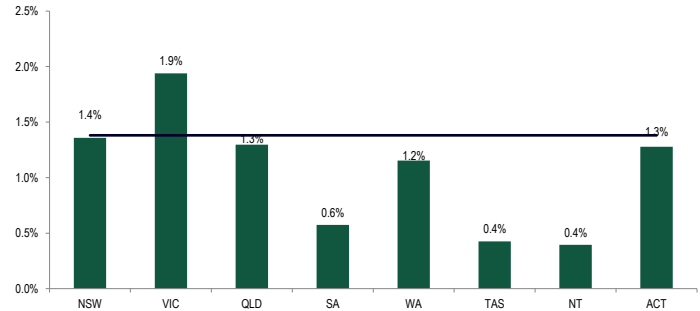
*Insight:* Engineering construction activity has endured a torrid few years in the aftermath of the mining boom, and the downturn has also hit areas that support mining like rail and port construction. As latest GDP data show, business investment is one of the economy's weak links and non-residential building had a shaky 2015/16. There are some indications that things may be brightening up – Thursday's ACI *Construction Monitor* will reveal all! For further details see:

<http://aciresearch.com.au/en/Publications.aspx>

### Top of the charts: population growth steady at 1.4 per cent

*Update:* The ABS has released its population figures for the March 2016 quarter. The data confirm that the nation's population broke through the 24 million people mark during the first three months of this year. This shows that the annual growth rate of 1.4 per cent has now been sustained for the third consecutive quarter. Overseas migration remains the engine of population growth, but it has cooled compared with previous years.

Annual Population Growth to March Qtr 2016  
Source: HIA Economics, ABS 3101.0



*Insight:* The state-by-state population patterns are the most revealing aspect of the population data: Victoria's population is the fastest growing, with an annual increase of 1.9 per cent lifting its population above the 6 million mark for the very first time. In terms of migration, it is very much a case of 'follow the jobs', with the strongest economies seeing the fastest population growth and more sluggish population developments in the states with the patchiest labour markets. The latest population figures re-emphasise the fundamental link between population growth and the need for new home building. It is little wonder, then, that areas of NSW and Victoria have seen so much of the upturn in new home building. In this vein, ACI produces detailed regional forecasts of new home building. Further details are available here: <http://aciresearch.com.au/premium-products.aspx>

### Bond markets yield spike

*Update:* The US Federal Reserve decided (reluctantly some would argue) to keep interest rates on hold – but it seems only a matter of time before the world's largest economy sees another rate hike. The decision came following a bit of a flurry on global bond markets involving the sell-off of long-dated government securities.

*Insight:* At any point in time, the world's financial markets have a vision of the future built in. When that expectation changes, a bit of reordering is guaranteed to follow. The sudden aversion to long term bonds is predicated on the fear that the days of easy central bank money may be closer to the end than originally anticipated. Many money managers have piled funds into cash holdings, something that can be expected to further depress the already paltry returns on short-term deposits. The flip side is that long term government bond returns are higher than they were a few weeks ago – welcome news for retirees. On a related note, the RBA Board meets on Tuesday next week to make its own interest rate decision. This is Philip Lowe's first meeting as Governor and the overwhelming expectation is that rates will be left alone on this occasion.

## The fortnight ahead – key releases

## Thursday, 29 September

ACI Construction Monitor, Spring 2016, 11.00am

## Friday 30 September

HIA New Home Sales Report, August 2016, 11.00am

## Tuesday 4 October

CoreLogic Home Value Index, September 2016, 10:00am

ABS Building Approvals, August 2016, 11.30am

RBA Interest Rate Decision for October 2016, 2:30pm

## Thursday 6 October

HIA Renovations Roundup, Autumn 2016, 11.00am

## Friday 7 October

HIA-AiG Performance of Construction Index, September 2016, 9.30am

## Key Construction Indicators: HIA – Cordell Construction 100 Top 20

LARGEST 20 NON-RESIDENTIAL BUILDERS AND CONTRACTORS								
2015/16 contracts won, by type of work, \$million								
Rank	Company	CIVIL ENGINEERING	COMMERCIAL	COMMUNITY	FLATS & UNITS	INDUSTRIAL	MINING	Grand Total
1	CPB CONTRACTORS PTY LIMITED	\$10,951	\$700	\$186		\$3	\$1,751	\$13,591
2	LENLEASE (Building, Engineering and Services – Australia)	\$3,822	\$1,719	\$2,639		\$83	\$27	\$8,290
3	LAING O'ROURKE AUSTRALIA	\$4,711	\$77	\$515				\$5,303
4	HUTCHINSON BUILDERS PTY LTD	\$51	\$978	\$522	\$1,586	\$113	\$8	\$3,258
5	PROBUILD PTY LTD	\$3	\$997	\$21	\$1,358			\$2,379
6	NEXUS INFRASTRUCTURE	\$1,724						\$1,724
7	JOHN HOLLAND PTY LTD	\$1,159	\$16	\$394				\$1,569
8	FULTON HOGAN PTY LTD	\$1,530	\$3	\$11				\$1,544
9	ADCO CONSTRUCTIONS PTY LTD	\$2	\$514	\$772	\$12	\$38		\$1,338
10	BGC (AUSTRALIA) PTY LTD	\$528	\$575	\$24	\$180			\$1,307
11	RICHARD CROOKES CONSTRUCTIONS PTY LTD	\$16	\$248	\$507	\$480	\$28		\$1,279
12	BUILT PTY LTD		\$679	\$168	\$419			\$1,267
13	WATPAC AUSTRALIA PTY LTD	\$12	\$250	\$442	\$510		\$38	\$1,251
14	SALINI IMPREGILO NRW JOINT VENTURE	\$1,176						\$1,176
15	SCENTRE GROUP (WESTFIELD GROUP)		\$1,152					\$1,152
16	PARKVIEW GROUP (AUSTRALIA) PTY LTD		\$150		\$760	\$22		\$933
17	MIRVAC GROUP	\$54	\$101		\$729			\$884
18	BMD CONSTRUCTIONS PTY LTD	\$476	\$55		\$40		\$300	\$871
19	ICON CO PTY LTD		\$1	\$80	\$702			\$783
20	DOWNER EDI WORKS PTY LTD	\$247	\$0	\$0			\$495	\$742

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