

A flurry of economic information is telling us ... what?!?

RBA meets on interest rates

Update: The RBA makes its next interest rate decision on Tuesday 2 June. This is the only easy call of the year to date - the market has priced in a remarkably high 96 per cent likelihood of 'no change' from the RBA!

Insight: The RBA has telegraphed it will 'wait and see' before possibly reducing rates further. With the exception of new housing (see below), most parts of the economy lack momentum, and inflation is very low - there is the possibility of at least one more rate cut during the second half of this year.

New Home Building - still looking the king of the economy

Update: According to the latest ACI New Home Sales report, detached house sales rose by 0.4 per cent during April with a 0.9 per cent increase in multi-unit sales. This was the fourth straight monthly increase in new home sales.

Insight: New homes sales results are in keeping with other indicators that all show that the new home building sector remains very strong. Today's (June 1) release of ABS Building Approvals figures for April will provide a timely update on the pipeline of new home building for 2015H2. In this vein, Wednesday's (June 3) National Accounts release from the ABS should look good for new housing, but annual economic growth around 2.0 per cent could generate downbeat headlines. Also of interest will be the results for home renovations activity – did it get off to a better start in 2015?

Non-residential construction continues to wilt

Update: Figures on Construction Work Done during the March 2015 quarter were released last week and suggest there's still no light at the end of the non-residential tunnel. The value of engineering construction work done fell by 20.3 per cent during the quarter, although non-residential building inched up by 1.2 per cent.

Insight: In ordinary times, super cheap borrowing rates would make for a plethora of new projects taking off all over the place. The hammering received by commodities prices together with a slow start to non-resource infrastructure projects mean that's not happening in the engineering construction arena. The stabilisation of non-residential building may be indicative of an embryonic recovery, but will poor sentiment remain a negative weight? For a detailed analysis of Australia's non-

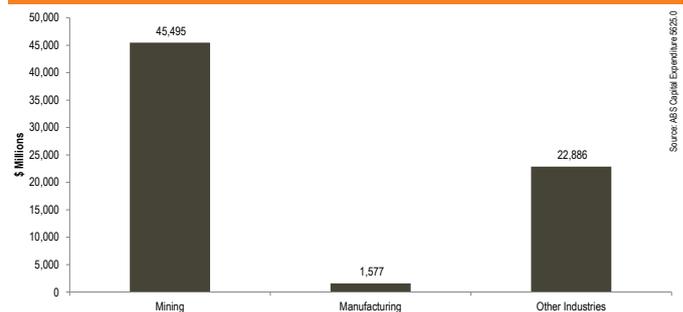
residential construction industry, ACI's inaugural *Construction Monitor* is released in mid-June. For more information info@aciresearch.com.au

Top of the Charts – Planned Capital Expenditure

Update: ABS figures on private planned capital expenditure gave us a sneak preview of what we might expect for the next financial year.

Insight: In terms of capital spending on buildings and structures, the fall in spending is likely to be quite substantial. Planned capex during 2015/16 is estimated to fall to \$69.96bn in 2015/16. Mining will bear the brunt of the reduction with manufacturing also set to experience a substantial drop. During the March 2015 quarter, actual capex on buildings and structures is estimated to have fallen by a larger than expected 6.5 per cent.

PLANNED CAPITAL EXPENDITURE ON BUILDING & STRUCTURES FOR 2015/16



Major economic development – consumer confidence mounts a comeback

Update: The Westpac – Melbourne Institute Index of Consumer Sentiment surged by 6.4 per cent during May and has nudged back into positive territory for the first time since February.

Insight: Consumer confidence has battled its way higher, with some ups and downs, since the beginning of the year after a rough ride in 2014. In May, the interest rate cut put a smile on many faces and the 'dull' federal budget evidently allayed concerns held by many households. Even so, the hard evidence suggests that consumers continue to vote with their pockets and savings rates are exceptionally high for a country with interest rates at their lowest in over half a century.

The fortnight ahead – key releases

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

Monday 1 June:

CoreLogic/RP Data Home Prices, May 2015 9:00am

ABS Building Approvals, April 2015 11.30am.

Tuesday 2 June:

RBA Board Meeting, Monetary Policy decision, 2:30pm.

Wednesday 3 June:

ABS Australian National Accounts, March 2015 quarter, 11.30am.

Friday 5 June:

AiG/HIA Performance of Construction Index, May 2015, 9.30am.

Tuesday 9 June:

ABS Housing Finance, April 2015, 11.30am.

Thursday 11 June:

ABS Labour Force, May 2015, 11.30am.

Wednesday 17 June:

ACI Construction Monitor, Winter 2015, 11.00am.

Actual and Planned Capital Expenditure on Building and Structures

Key Construction Indicators				
	Actual Capital Expenditure		Planned Capital Expenditure	
	December 2014 quarter	March 2015 quarter	June 2015 quarter	2015/16 Year
	\$million	\$million	\$million	\$million
	seasonally adjusted	seasonally adjusted	Unadjusted	Unadjusted
Buildings & Structures	25,418	23,774	24,734	69,958
Equipment, Plant & Machinery	13,154	13,242	12,134	34,075
Total	38,572	37,016	36,868	104,033

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AUSTRALIAN CONSTRUCTION INSIGHTS
Research powered by HIA Economics

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