



AUSTRALIAN CONSTRUCTION INSIGHTS
Research powered by HIA Economics

Construction Brief

1 December 2014

Welcome to the ACI Construction Brief

Residential Work Done

Update: The value of residential construction work done declined by 1.6 per cent during the September 2014 quarter, according to the ABS. The decline reflected lower quarterly values for work done on both new residential and larger alterations and additions.

Insight: The new housing result was hardly a weak one - the value was still the second highest on record. However, the recovery in new home building activity may have peaked earlier during 2014. The September quarter reduction was driven by detached house construction.

Non-residential building work done

Update: Non-residential building work done eased marginally by 0.1 per cent during the September 2014 quarter, with engineering construction falling by 3.2 per cent over the same period.

Insight: The weak figures for engineering construction reflect the continued contraction underway in mining investment, as well as the subdued conditions in business investment amid below trend economic growth.

Capital Expenditure

Update: A separate set of figures from the ABS show that private capital expenditure on buildings and structures declined by 1.9 per cent (\$482 million) during the September 2014 quarter.

Insight: Mining investment again made an impact here, with a reduction in capex of 4.1 per cent during the quarter. Non-mining investment intentions suggest a rise of around 5 per cent in nominal terms in 2014/15. That wasn't a disappointing outcome, but it could have been.

Residential Forecasts

Update: The Spring 2014 edition of the HIA-ACI National and State *Outlook* series was released on 24th November. This release included an upward revision to the forecasts for new home building.

Insight: New home commencements are forecast to increase by 2.9 per cent in 2014/15, but ease back by 2.3 per cent in 2015/16. Renovations activity is projected to increase by 0.9 per cent in 2014/15 and by 2.4 per cent in 2015/16.

Foreign Property Investment Inquiry

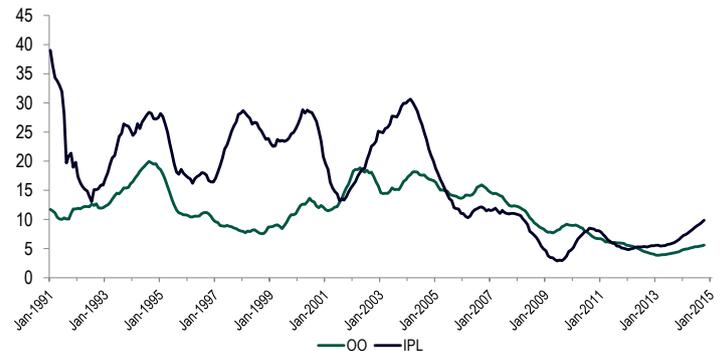
Update: The House of Representatives Standing Committee on Economics released its report relating to foreign investment in residential real estate on 27th November.

Insight: An important finding in the report was that foreign investment is a positive force in boosting the supply of new homes and in contributing to greater affordability in the rented sector.

Top of the Charts – Housing Credit

Annual Growth in Housing Credit

Source: HIA Economics, RBA



Update: RBA figures show that housing credit increased by 7.0 per cent in the year to October 2014. This was comprised of a 5.6 per cent rise in Owner Occupier (OO) housing credit and an increase of 9.9 per cent on the investor (IPL) side [see chart above].

Insight: These figures show a continuing upward trend, but the rates of growth are far below historical experience. APRA were fairly sanguine about the prospects for near-term implementation of macro-prudential tools at a parliamentary hearing in Canberra on the same day – last Friday.

Major economic development

Update: China's central bank cut its interest rate for the first time in over two years on 21st November. The People's Bank of China (PBOC) reduced its key rate from 6.0 per cent to 5.6 per cent.

Insight: The PBOC's move came as a surprise to market watchers, and suggests that the Chinese authorities are concerned about the slowdown in construction activity (and that official releases of economic growth rates may be overstated). This has been the driving force behind the sharp falls in the price of key commodities including iron ore since the start of the year.

The fortnight ahead – key releases

The fortnight ahead will see a number of key updates for the construction sector:

Monday 1 December – OECD International Migration Outlook

Monday 1 December – CoreLogic RP Data Hedonic Home Value Index Results for November 9:30am

Tuesday 2 December – ABS Building Approvals for October 11:30am

Tuesday 2 December – RBA Board Meeting, monetary policy decision 2:30pm

Wednesday 3 December – ABS Australian National Accounts September Qtr 11:30am

Friday 5 December – AIG-HIA Performance of Construction Index for November 9:30am

Monday 8 December – ACI Housing Scorecard, Edition 2 2014 11:00am

Tuesday 9 December – ACI Stamp Duty Watch, Summer 2014 11:00am

Wednesday 10 December – Westpac-Melbourne Institute Index of Consumer Sentiment for December 10:30am

Wednesday 10 December – ABS Housing Finance for October 11:30am

Thursday 11 December – ABS Labour Force for November 11:30am

Key construction indicators

Key Construction Indicators

	Total Residential Building Work Done, \$ millions seasonally adjusted, chain volume measures	Non-Residential Building Work Done, \$ Millions seasonally adjusted, chain volume measures	Engineering Construction Work Done, \$ Millions seasonally adjusted, chain volume measures
Sept 2014 quarter	13,447	8,988	28,711
Quarterly change (%)	-1.6%	-0.1%	-3.2%
Q on Q, annual change (%)	8.6%	1.9%	-12.1%
Latest 12 months	52,733	35,551	120,929
Previous 12 months	49,306	34,262	129,440
Annual change (%)	7%	3.8%	-6.6%

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