Your window into the future of the construction industry

AUSTRALIAN CONSTRUCTION INSIGHTS
Research powered by HIA Economics

Construction Brief

4 May 2015

There's a Federal Budget approaching …

Federal budget on the horizon

Update: There is a Federal Budget approaching with the second Abbott-Hockey budget being announced on the 12th of May. We've already had some managed 'leaks' and we'll get some more. It is clear that the race to a budget surplus is no longer an exclusive priority.

Insight: Largely due to the adverse reaction to last year's budget, but also because of persistently below trend economic growth, Budget 2015/16 will be a more expansionary affair. Households will be a key focus, but business measures will also be important Stay tuned for ACI's post Budget analysis regarding measures relevant to Australia's construction industry.

Hotspots report signals further growth in 2015

Update: The latest *ACI Residential Population and Building Hotspots Report*, released last week, showed WA, Victoria and NSW dominating the league table. It was, however, new developments/stages in the ACT and the NT that took out the medals.

Insight: The *Building Momentum* tables in the *Hotspots* report signal a number of local areas in NSW, WA and Victoria where new home building activity is set to climb higher in 2015. Local areas in Sydney hold all three positions on the podium (see table below). For further details on the Hotspots report see our website.

How much higher can new home building go from here?

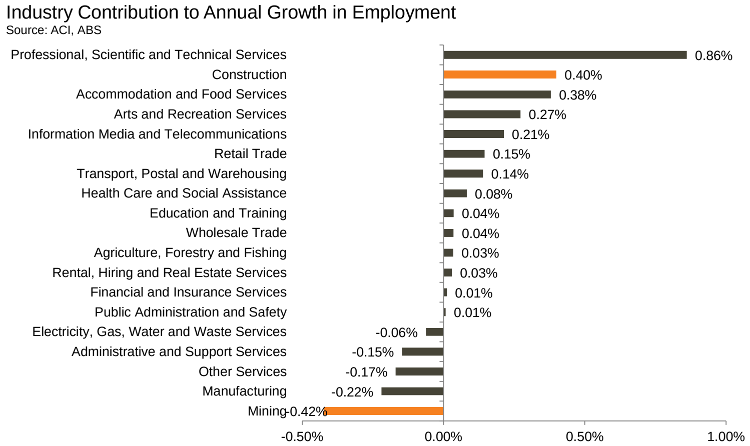
Hotspots, together with other indicators, point to further growth in new home building in 2015. The momentum is with parts of the 'multi-unit' segment of the market. We are releasing our latest new residential building forecasts on the 8th of May. An update of our dwelling composition forecasts will also be available - the outlook for new dwelling commencements identifying activity in each of the various dwelling types. Email Stuart Hylton-Cummins at s.hyltoncummins@aciresearch.com.au for more information.

Construction contributes to strong labour force data

Update: In the March 23 *Construction Brief* we covered headline labour force figures. This time we have dissected the result by industry.

Insight: Strong residential building activity resulted in expansion of the construction workforce in the year to March 2015. The expansion of the construction workforce provided the second strongest contribution to national workforce growth of all major industries. Australia's workforce increased by around 1.6 per cent in the year, and the construction workforce accounted for 0.4 percentage points.

Top of the Charts – Construction industry driving job creation



Major economic development

Update: After tracking along in the vicinity of US$0.78 for some time and dipping below US$0.76 a few weeks ago, the $A jumped back above US$0.80 last week.

Insight: There was a combination of factors that contributed to the jump in the AUD/USD exchange rate during the week. There were expectations for a weak US GDP result which were then confirmed, the iron ore price returned to $60 per ton after dropping below $46 a few weeks earlier. This followed a robust report on the domestic labour market a week earlier, and healthy leading indicators for new home building. These factors, along with reading between the lines of a speech made by the RBA Governor, were enough to have financial markets questioning whether another rate cut in May was as certain as they had first thought. By mid-week markets were pricing a 50/50 chance of a rate cut at the next RBA Board meeting. However, (and there's always a but) a late softening in the iron ore price and a dip in the ASX leading into reporting season saw markets pricing a 70 percent probability of another cut by week's end.

The fortnight ahead – key releases

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

Monday 4 May:

ABS Building Approvals, March 2015, 11.30am.

Tuesday 5 May:

RBA Monetary Policy Decision, May 2015, 2.30pm.

Wednesday 6 May:

HIA/ACI New Home Sales Report, March 2015, 11.00am.

ABS Retail Trade, March 2015, 11.30am.

Thursday 7 May:

AIG/HIA Performance of Construction Index, April 2015, 9.30am.

ABS Labour Force, April 2015, 11.30am.

Friday 8 May:

HIA/ACI New Housing Forecast Update, 11:00am

Tuesday 12 May:

Federal Budget, 2015/16, 7.30pm.

ABS Housing Finance, March 2015, 11.30am.

Friday 15 May:

ABS Lending Finance, March 2015, 11.30am.

Key construction indicators – ACI Hotspots Report: National Building Momentum

Building Mometum Shortlist**

Statistical Area Level 2	State	2013/14 Approvals ($'000)	2014/15 Estimated Approvals (FYTD, annualised) ($'000)	2014/15 Estimated Growth in Residential Building Approved
Homebush Bay - Silverwater	NSW	125,010	593,829	375.0%
Waterloo - Beaconsfield	NSW	308,334	564,485	83.1%
Cobbitty - Leppington	NSW	210,295	340,543	61.9%
North Lakes - Mango Hill	QLD	148,276	214,523	44.7%
Docklands	VIC	296,875	428,988	44.5%
Truganina	VIC	132,788	191,754	44.4%
Ellenbrook	WA	267,879	318,222	18.8%
Yanchep	WA	301,392	354,987	17.8%
Byford	WA	167,308	188,453	12.6%
South Morang	VIC	297,864	331,701	11.4%
Cranbourne East	VIC	294,682	327,933	11.3%
Bertram - Wellard (West)	WA	118,764	131,203	10.5%
Forrestdale - Harrisdale - Piara Waters	WA	220,307	232,733	5.6%
Point Cook	VIC	245,137	246,664	0.6%

***National Top 20 Hotspots where each of the three years to 2013/14 have had population growth stronger than the national average, and the estimated value of new home building approvals grew in 2014/15*

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

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