



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

# Construction Brief

7 September 2015

## The bears have come out of the woods for Spring

### People are getting 'beared up'

**Update:** Clearly the economic mood, both domestically and globally, has soured in recent weeks. This development has been unfolding for some time, with the mid-year equity market ructions in China forming the principal catalyst. At home, it's remarkable that not long ago our share market was looking at 6,000, but now the eyes are on whether it breaches 5,000.

**Insight:** Real economic outcomes are the key and this is most obvious in China. We are right to be keeping a very watchful eye (see below). Recent events have, predictably brought out the doomsayers and talk of the dreaded 'R' word in Australia has intensified following the Q2 GDP result (more on that shortly). It will be important to observe business and consumer confidence in the final four months of 2015. We noted in the last *Construction Brief* that "There has been an encouraging string of generally positive results in business confidence." We want that trend to continue, but it may be a rockier road than that!

### ACI Construction Monitor highlights the positive ...

**Update:** Confidence is clearly a big component of the outlook for non-residential construction activity. It is one of many elements considered in the *ACI Construction Monitor*. The spring edition of this marquee ACI report will be released on Wednesday 9<sup>th</sup> September. Organise your subscription today – for more information contact [info@aciresearch.com.au](mailto:info@aciresearch.com.au).

**Insight:** It is no secret that private business investment has not picked up the slack left by the passing of the resources-driven construction boom. The Q2 GDP result is the latest display of this fact. We have noted for some time that there are opportunities and areas of strength in Australia's non-residential construction industry, even if they are often masked by weak headlines. Through the assessment of sectoral conditions, the unique methodology applied to analyse state/territory activity, and forecasts by sector, the *ACI Construction Monitor* highlights where you should focus across non-residential building and engineering construction.

### GDP brings the general negativity home ...

**Update:** The latest GDP result saw growth of 0.2 per cent in the June 2015 quarter, with annual growth coming in at 2.0 per cent.

**Insight:** Private business investment was weak (-0.6%qoq; -8.3%yoy) and household consumption was considered as soft (+0.5%q/q; +2.5%y/y). These are two of many figures that garnered attention. Note, however, that the non-residential building component of business investment increased (+0.9%q/q; +5.2%y/y), while it is a little harsh to unequivocally term the consumption update 'soft'. The economic pulse of our economy is weaker than we can sustain, though. The lack of evidence of broad-based

momentum heading into 2015/16 is concerning. This is where dwelling investment rears its beautiful head. New dwelling investment reached a record high in 2014/15 (even though it declined in 2015Q2) and helped boost other parts of the economy along the way, most notably household consumption. With new home building at or close to a peak and seemingly little else on the short term horizon, our growth prospects aren't looking great for 2015/16. Unfortunately that environment creates fertile ground for people to talk the economy down even more than necessary...

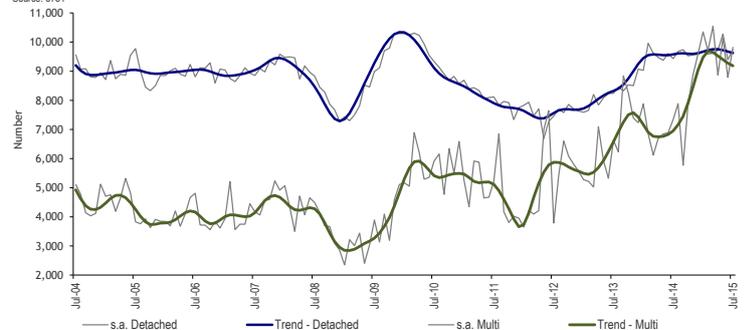
### Top of the charts – resi building approvals hold the line

**Update:** Amidst what was a weak focus for domestic economic updates as spring overtook winter, ABS Building Approvals (and HIA/ACI New Home Sales) did signal further healthy new residential construction activity for 2015/16.

**Insight:** As a leading indicator of new home building, the profile for ABS Building Approvals still looks very good. That in itself is very pleasing news for the construction industry – new housing has grown over three consecutive years and looks set to hold up well in a fourth. Further growth appears unlikely and that is where the focus will increasingly be, especially if the wobbles in China intensify.

Building Approvals - Australia

Source: 8731



### Major economic development: the China play

**Update:** The downside risk to economic growth in China is an increasing area of domestic and international concern at present.

**Insight:** We took a look at the China situation in the last *National and State Outlooks* series. Visit <https://aciresearch.com.au> for details of this publication.

### Release of inaugural ACI Building Materials Bulletin

Friday 11<sup>th</sup> September sees the release of the inaugural *ACI Building Materials Bulletin*. The Bulletin delivers Australia's most in-depth analysis of building materials usage in the residential construction industry. To register your interest in the *ACI Building Materials Bulletin* please contact [s.hyltoncummins@aciresearch.com.au](mailto:s.hyltoncummins@aciresearch.com.au)

**The fortnight ahead – key releases**

The week ahead includes a number of major updates relevant to the construction industry:

**Monday 7 September:**

AiG/HIA Performance of Construction Index (PCI), August 2015, 9.30am.

**Wednesday 9 September:**

Westpac/Melbourne Institute Index of Consumer Sentiment, September 2015, 10:00am

ACI Construction Monitor, Spring 2015 edition, 11.00am.

ABS Housing Finance, July 2015, 11:30am.

**Thursday 10 September:**

ABS Labour Force, August 2015, 11:30am.

**Friday 11 September:**

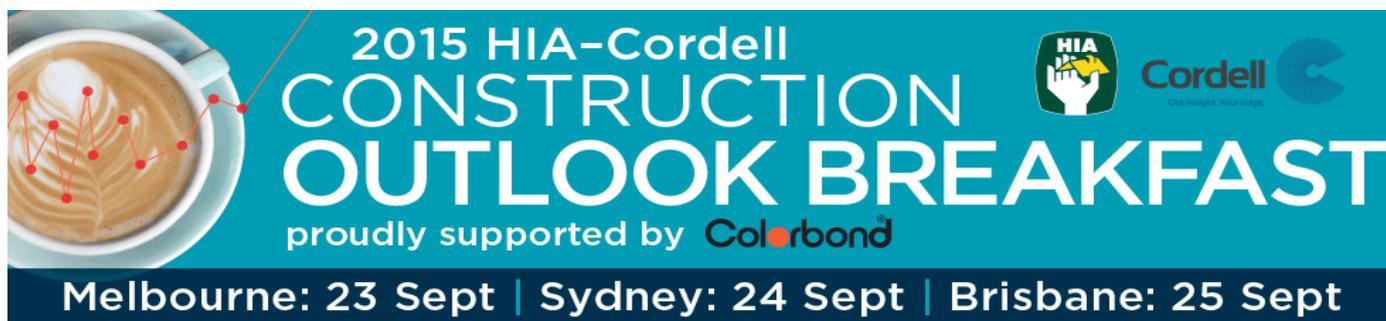
ACI Building Materials Bulletin, inaugural edition. For details contact: [s.hyltoncummins@aciresearch.com.au](mailto:s.hyltoncummins@aciresearch.com.au)

ABS Lending Finance, July 2015, 11:30am.

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

	Private Houses					Multi-Units		Total
	NSW	VIC	QLD	SA	WA	AUS	AUS	AUS
<b>3 months to Jul 14</b>	3,948	5,642	3,326	1,506	4,348	18,769	3,150	21,919
<b>3 months to Apr 15</b>	3,649	5,534	3,729	1,296	4,429	18,638	5,291	23,928
<b>3 months to Jul 15</b>	3,923	5,184	3,678	1,173	4,059	18,017	5,733	23,750
% change on previous 3 months	<b>7.5%</b>	<b>-6.3%</b>	<b>-1.4%</b>	<b>-9.5%</b>	<b>-8.4%</b>	<b>-3.3%</b>	<b>8.3%</b>	<b>-0.7%</b>
% change on same 3 months of previous year	-0.6%	-8.1%	10.6%	-22.1%	-6.7%	-4.0%	82.0%	8.4%

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



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