



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

# Construction Brief

10 March 2015

## New Housing keeps Economic Growth Ticking

### New Housing Keeps Economic Growth Ticking

*Update:* Latest figures show that GDP grew by 0.5 per cent during the December 2014 quarter, and was 2.5 per cent higher than 12 months earlier. This represented a slight improvement on the previous quarter's growth rate, but is still well below the economy's trend rate of growth.

*Insight:* New dwelling construction is one of the strongest areas of domestic demand, with an increase of 5.3 per cent during the December 2014 quarter, and a 16.5 per cent increase on 12 months earlier. Accordingly, new dwellings contributed 0.2 points to the 0.5 per cent growth – a pretty good effort! Renovations activity remains weak, however, falling by 2.3 per cent during the quarter.

### Release of the Intergenerational Report

*Update:* The fourth Intergenerational Report (IGR) was published, which provided an overview of prospects for Australia's economy out to 2055. The report assessed the implications of different government policies on Australia's long-term fiscal position.

*Insight:* The IGR anticipates that Australia's population will reach 40 million by 2055, with the old age dependency ratio increasing very substantially. The IGR projections reaffirm HIA/ACI's research of 2014 which showed a requirement for a bare minimum of 180,000 new dwellings per year over the long term.

### HIA/ACI New Home Sales

*Update:* HIA/ACI New Home Sales saw a positive start to the new year, increasing by 1.8 per cent during January 2015. In the three months to January, new home sales increased by 3.5 per cent and were 6.5 per cent higher than the same period 12 months earlier. Detached house sales increased by 1.5 per cent during the three months to January, while there was a 13.0 per cent increase in multi-unit sales.

*Insight:* The trend in new home sales follows a similar trajectory to other market indicators, like dwelling starts and building approvals, all of which are showing strong growth. The multi-unit segment is in particularly good shape. By geographic market, private house sales were strongest in Queensland and Victoria, with sales falling in NSW and South Australia.

### Signs of Life in Non-residential Building

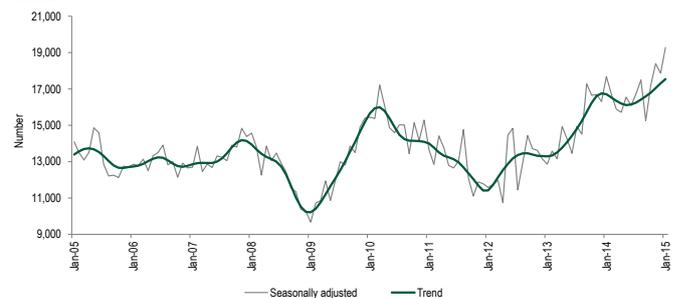
*Update:* Building approvals data for January 2015 show some improvement in the commercial building sector. In the three months to January, the value of non-residential approvals totalled \$8.26 billion, which represented an

increase of 21.6 per cent on the previous quarter. Compared with a year earlier, however, the value of approvals was some 16.5 per cent lower.

*Insight:* Non-residential building (commercial) activity has struggled over the past year, due to poor business sentiment and restrictions on government capital spending. New approvals in the retail and health sectors are weak, although entertainment and aged care have seen some growth. Looking back, national accounts data show that the volume of non-dwelling building construction fell by 0.9 per cent in the December 2014 quarter. Engineering construction activity fell by 1.1 per cent over the same period.

### Top of the Charts – New Dwelling Approvals

Monthly Building Approvals - Australia  
Source: ABS 8731



*Update:* New dwelling approvals reached a record high during January 2015, with a total of 19,282 approvals occurring during the month. In annualised terms, a total of 222,164 new dwelling approvals occurred in the three months ended January.

*Insight:* January's record result was largely down to strong growth in the volatile multi-unit segment, where approvals increased by 17.5 per cent during the month alone. Queensland was the state to see the strongest monthly growth in approvals, with a 47.8 per cent increase occurring during the month. This was driven by unprecedented levels of multi-unit approvals in the state.

### Major economic development

*Update:* The RBA left interest rates on hold at its March meeting. This decision came despite strong expectations that they would follow up on February's rate reduction with another decrease.

*Insight:* Recent communication from the RBA on its interest rate intentions has generated some uncertainty at an already difficult time for Australia's economy. However, it seems very likely that interest rates will be reduced again over the coming months, possibly as soon as April. Market pricing currently suggests a 50 per cent likelihood of an RBA rate reduction next month.

The fortnight ahead – key releases

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

**Wednesday 11 March:**

ABS Housing Finance, January 2015, 11:30am;

**Thursday 12 March:**

ABS Labour Force, February 2015 11:30am;

**Friday 20 March:**

HIA/ACI Intergenerational Report Assessment – what does it mean for housing and construction?

Key construction indicators

**Key Construction Indicators**

	New dwelling investment	Alterations and Additions investment	Non-residential building investment	Engineering construction investment
	CVM \$million	CVM \$million	CVM \$million	CVM \$million
	seasonally adjusted	seasonally adjusted	seasonally adjusted	seasonally adjusted
CY 2013	43.48	27.93	42.93	103.33
CY 2014	48.87	28.16	44.57	91.31
Annual change (%)	12.4%	0.8%	3.8%	-11.6%

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