

It's not all Gloom in Non-Residential Construction

ACI Construction Monitor Ranks NSW No. 1

Update: The inaugural ACI *Construction Monitor* sees the light of day on Wednesday 17th June. The report offers a detailed journey through conditions right across the non-residential construction industry, including the pipeline of new work, price trends and state by state analysis. Best of all, it's not all bad news!

Insight: The ACI *Construction Monitor* includes a unique methodology for analysing non-residential construction activity, which highlights New South Wales as the number one state market, reflecting broad-based sectoral strength. Nationally, the outlook for a number of sectors is improving. These include: warehouses; aged care facilities; and entertainment & recreation buildings. Despite the mining downturn, there is some strength to engineering construction, such as roads, highways & subdivisions. For more information:

info@aciresearch.com.au

Consumers catch the 'glums' again

Update: The *Westpac-Melbourne Institute Consumer Sentiment* report for June 2015 shows that consumers lurched back into pessimistic mode. During the month, the index fell by a sharp 6.9 per cent compared with May to record a score of 95.3.

Insight: May's interest rate reduction, 'better budget', and the apparently improving labour market don't seem to have sustainably cut it with consumers. They seem more affected by the rough ride in the stock market, international uncertainties around Greece, and (perhaps) renewed debate surrounding dwelling price levels. The weak result in June follows the encouraging improvement in sentiment during May in the aftermath of a relatively well-received federal Budget.

Is the Labour Market coming back to life?

Update: ABS data show that the unemployment rate fell again in May 2015, to 6.0 per cent. This was the lowest reading in 12 months, and was accompanied by data showing chunky employment growth of 234,000 over the past year.

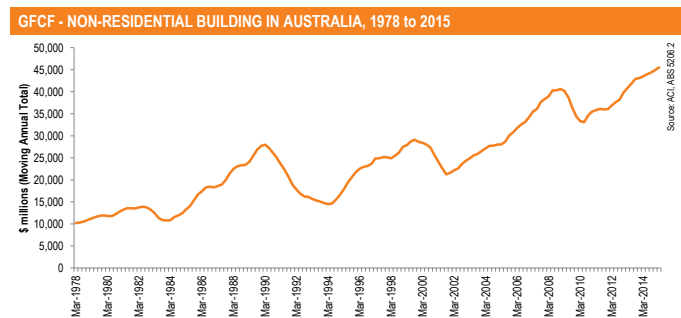
Insight: There was predictably some commentary that was quick out of the blocks to highlight why this relatively strong update either wouldn't last, or didn't make sense. The result does seem out of sorts in an economy persistently growing below trend, where domestic demand is leading the way in that regard. Maybe, however, some of the reason why employment growth is running at its fastest pace (2.0 per cent) since

late 2008 is simply because labour market conditions are just a little better this cycle than widely presumed ...

Top of the Charts – Non-Residential Building

Update: National accounts data for the March 2015 quarter show that private investment in new non-residential building surged to its highest level on record. During the quarter, activity increased by 1.7 per cent to \$11.6 billion.

Insight: Non-residential building has been one of the economy's silent heroes over the past year, battling on and consistently racking up modest increases from one quarter to the next. This is despite the atmosphere of poor overall business sentiment. Clearly, low interest rates are supporting demand for new projects in the non-residential building part of the economy. A comprehensive review of non-residential building on a sector by sector, by region, basis is provided by ACI's forthcoming *Construction Monitor*. For more information: info@aciresearch.com.au



Renewed Focus on Infrastructure Investment

Update: The *National Infrastructure Summit* took place in Sydney on 11th and 12th June. The Summit followed comments by RBA Governor Stevens which emphasised the important role infrastructure spending could play in enhancing economic growth and boosting confidence.

Insight: We have been talking about this role for infrastructure investment for some time (see the ACI *Budget Snapshot*, for example). The RBA Gov noted that an agreed pipeline of infrastructure projects, possibly involving risk-sharing between public and private sectors with appropriate pricing for the final product, could offer the opportunity to boost confidence and growth. With borrowing costs at exceptionally low levels, the financing conditions for relieving Australia's infrastructure deficiencies are particularly favourable at the current time. As we've said before, watch this space, especially in NSW.

The fortnight ahead – key releases

The fortnight ahead is light on for key updates relevant to the construction industry:

Tuesday 16 June:

Minutes of the June 2015 Monetary Policy Meeting of the Reserve Bank of Australia Board, 11:30am.

Wednesday 17 June:

ACI *Construction Monitor*, Winter 2015, 11.00am

Gross Fixed Capital Formation – Construction Investment as at the March 2015 quarter

	Key Construction Indicators			
	Gross fixed capital formation - Dwellings - New and Used	Gross fixed capital formation - Dwellings - Alterations and additions	Gross fixed capital formation - Non-dwelling construction - New building	Gross fixed capital formation - Non-dwelling construction - New engineering construction
	\$ millions	\$ millions	\$ millions	\$ millions
	seasonally adjusted, chain volume measures	seasonally adjusted, chain volume measures	seasonally adjusted, chain volume measures	seasonally adjusted, chain volume measures
March 2015 quarter	13,532	7,226	11,626	18,682
Quarterly change (%)	4.8%	4.4%	1.7%	-9.8%
Q on Q, annual change (%)	15.2%	-0.8%	5.5%	-21.7%
Latest 12 months	50,739	28,261	45,510	84,582
Previous 12 months	44,752	28,403	43,481	101,075
Annual change (%)	13.4%	-0.5%	4.7%	-16.3%

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AUSTRALIAN CONSTRUCTION INSIGHTS
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