



AUSTRALIAN CONSTRUCTION INSIGHTS
Research powered by HIA Economics

Construction Brief

15 December 2014

Welcome to the ACI Construction Brief

Residential building approvals

Update: Dwelling approvals increased by 11.4 per cent during October 2014 (on a seasonally-adjusted basis). However, this followed a decline of 11.2 per cent during September, so in many ways we are back to where we started! That 'starting' level is only 3.7 per cent shy of the cyclical peak reached in January 2014.

Insight: The movement during October was almost exclusively due to a 30.4 per cent rebound in multi-unit approvals, predominantly in Victoria. Detached house approvals were essentially unchanged, down by 0.3 per cent.

Non-residential building approvals

Update: The value of non-residential building work approved in the three months to October 2014 declined by 24.2 per cent to a level 29.7 per cent below the year ago level. That is a weak-looking outcome.

Insight: The large fall in non-residential building work approved was driven by a slump in office building approvals. The value of approvals for offices in the three months to October 2013 represented a cyclical peak – levels were comparable with the pre-GFC high. In contrast, the level in the three months to October 2014 was comparable with the lows at the depth of the GFC crisis.

Housing Scorecard

Update: The latest edition of the HIA/ACI Housing Scorecard was released last week. The report provides a concise analysis of residential building activity in each state and ranks the relative strength of market conditions in each geographical jurisdiction.

Insight: WA maintained the top ranking for the sixth consecutive quarter, ahead of the NT and NSW markets. Victoria was just off the pace of the front runners, but clearly ahead of the rest. SA, the ACT and QLD were clustered closely together, ranking 5th to 7th, respectively. Last but not least, Tasmania ranked at the bottom for the eighth consecutive quarter.

Financial System Inquiry Final Report

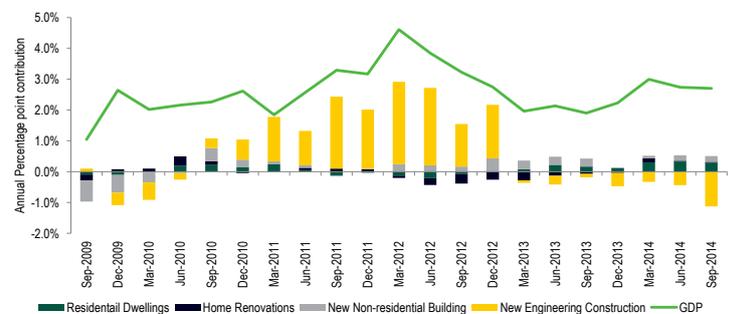
Update: The Financial System Inquiry, chaired by David Murray, released its final report. The Murray Report is a comprehensive root and branch review of Australia's financial system and concludes with 44 recommendations. The government has announced an intention to review the recommendations over the next three months.

Insight: This Inquiry addresses one of the three key areas of economic reform flagged by the Abbott

government, the other two being Federalism (white paper process commenced earlier in the year) and Taxation (process due to start before end 2014). With regard to major reforms, the government's preferred recommendations are likely to provide a guide to the Coalition's wider policy platform leading into the next election. In the interim, we may see some tinkering around the edges.

Top of the Charts – Contribution of Construction to GDP Growth

Contribution of Construction to GDP Growth
Source: HIA Economics, ABS



Update: Gross Domestic Product increased by just 0.3 per cent during the September 2014 quarter and was up by 2.7 per cent compared with the same period last year. A fall in engineering construction activity made a significant deduction from overall growth. [see chart above].

Insight: Since the resource sector investment boom peaked, the level of engineering construction had recorded a series of modest contractions. This situation provided comfort that a sharp decline would be avoided. The fall of 6 per cent in the September quarter - to be 16 per cent below the level a year earlier - has shaken confidence regarding the prospect of a moderate and orderly decline.

Major economic development

Update: The value of the Australian dollar relative to the US\$ has fallen considerably over the last fortnight. After beginning December with the A\$ buying just shy of \$0.85, the A\$ closed US trade last week near US\$0.8250.

Insight: As far as the RBA is concerned, the currency stars look to have aligned and we are finally seeing the long awaited depreciation of the A\$. There have been a number of positive economic updates for the US recently; GDP growth is above trend, unemployment dropped to 5.8 per cent, and the quantitative easing program has been concluded.

The fortnight ahead – key releases

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

Monday 15 December – Mid-Year Economic & Fiscal Outlook (MYEFO) 12.30pm

Thursday 18 December – ABS Australian Demographic Statistics, June Qtr 2014 11:30am

Wednesday 17 December – HIA Discussion Paper - Australian Housing: looking towards 2015 11:00am

Thursday 18 December – ACI Research Snapshot: Demographic Update 2:30pm

Thursday 18 December – HIA/ACI Renovations Roundup – Inaugural edition 11.00am

Key construction indicators

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
Sept 2014 quarter	12,024	7,091	11,506	22,303
Quarterly change (%)	-1.1%	-0.7%	0.9%	-5.8%
Q on Q, annual change (%)	10.2%	1.5%	6.7%	-16.3%
Latest 12 months	46,987	28,617	44,685	96,066
Previous 12 months	43,062	28,089	42,809	104,983
Annual change (%)	9%	1.9%	4.4%	-8.5%

The team at ACI wishes you all a Merry Christmas, Happy New Year, and safe travels wherever the holiday season may take you.

ACI Construction Brief will be back on Monday 12 January 2015.

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



AUSTRALIAN CONSTRUCTION INSIGHTS
Research powered by HIA Economics

CONTRIBUTORS:

Harley Dale Chief Economist

Geordan Murray Economist

Disclaimer: This document is produced by ACI based on information available at the time of publishing. All opinions, conclusions or recommendations are reasonably held or made as at the time of its compilation, but no warranty is made as to accuracy, reliability or completeness. Neither HIA nor any of its subsidiaries accept liability to any person for loss or damage arising from the use of this report.