



AUSTRALIAN CONSTRUCTION INSIGHTS
Research powered by HIA Economics

Construction Brief

18 May 2015

Monetary and Fiscal Stimulus - what will confidence do now?

RBA Statement on Monetary Policy

Update: Earlier in the month the RBA released its quarterly Statement on Monetary Policy. In it, the Bank lowered its forecasts for economic growth as well as inflation. Growth in the year to December 2015 has been lowered from 2.75 per cent to 2.5 per cent. Growth to December 2016 has been lowered from 3.5 per cent to 3.25 per cent. Underlying inflation in 2016 has been lowered from 2.5 per cent to 2.25 per cent.

Insight: This is a very significant update from our central bank. The RBA doesn't see business investment recovering any time soon and as a result, they expect overall economic growth to be weaker for longer. While the RBA's language and guidance in the Statement may not be as clear as in previous instances, it has indicated there is scope for further reductions to the official cash rate. No rate rise, based on this view, until 2017 at the earliest.

The Federal Budget –some economic stimulus

Update: The second Hockey-Abbott budget was handed down last week, with the 'rabbit out of the hat' being the small business tax deduction on newly purchased assets of up to \$20,000. Other measures favourable to small business included the reduction in the company tax rate to 28.5 per cent for incorporated firms with turnover below \$2 million, and a 5 per cent reduction on taxation for unincorporated company profits of up to \$1,000 per year. ACI released a *Budget Snapshot* which provides a guide to the Budget's implications for the construction industry. For more information info@aciresearch.com.au

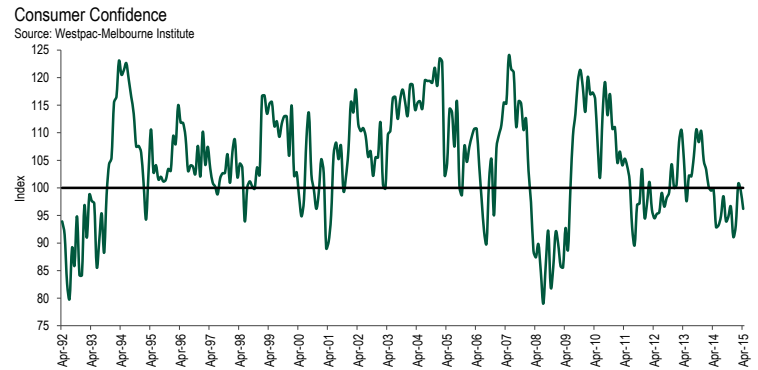
Insight: The centrepiece small-business measures are unlikely to translate into significant demand for actual construction activity. More broadly, the key now is the impact that the budget has on consumer and business confidence.

Top of the Charts – Consumer Confidence

Update: On this note, the *Westpac – Melbourne Institute Index of Consumer Sentiment* for May will be closely watched when it is released on Wednesday 20th. The index fell in both March and April, but it will be how this next update compares to the 6.8 per cent drop which followed the 2014 budget that will be scrutinised.

Insight: The index is unlikely to drop by that magnitude again this year. Indeed, the combination of small business and childcare measures in the budget, the

former an outright stimulus policy, might even see confidence rise. Wouldn't that be nice!



ACI Upgrades Dwelling Forecasts

Update: In the May update for its residential forecasts, ACI has upgraded the outlook for new dwelling commencements. A minimum of 205,500 new homes are expected to be commenced during 2014/15, the first time activity has exceeded 200,000 in a single year.

Insight: There is further upward momentum to new home building in 2015. Growth is narrowly driven this year compared to 2014, in terms of both geography and dwelling type. ACI has forecasts by distinct dwelling type [click here](#) for more details. The release of the HIA National and State Outlooks on May 18th provides a comprehensive analysis of current and future economic and residential construction industry conditions in a year when new housing remains pretty much the sole star of the economic show. For more information info@aciresearch.com.au

Major economic development – dollar back up

Update: The Aussie dollar is back up above USD\$0.80, largely due to US dollar weakness. Since mid-April, the Australian dollar has edged back from low levels against both the US and NZ dollar.

Insight: The trajectory of the Aussie dollar will be closely watched. The prevailing view in the United States is that the first rate hike won't occur there until September at the earliest, and there is ongoing mixed economic data – that will keep upward pressure on our dollar. Consumer confidence is a key domestic influence this week, trumped only by the latest private business investment intentions (Capex) due out next Thursday 28th May.

The fortnight ahead – key releases

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

Monday 18 May:

HIA State and National Outlooks, Autumn 2015 edition
11.00am.

Wednesday 20 May:

Westpac – Melbourne Institute Consumer Confidence,
May 2015, 10:30am.

Wednesday 27 May:

ABS Construction Work Done, March 2015, 11.30am.

Thursday 28 May:

ABS Private New Capital Expenditure and Expected
Expenditure, March 2015, 11.30am.

Friday 29 May:

HIA New Home Sales Report, April 2015, 11.00am.

State and National Forecasts

Financial Year
DWELLING STARTS: by state and territory

thousand dwellings commenced

Starts	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	Aust
2003/04 (a)	45.77	45.47	44.42	10.48	22.58	2.85	1.04	2.90	175.52
2004/05 (a)	39.41	40.84	39.37	10.99	22.93	2.82	1.33	2.46	160.15
2005/06 (a)	33.00	39.28	37.95	10.70	25.94	2.57	1.35	1.86	152.67
2006/07 (a)	30.30	38.62	41.24	11.22	24.80	2.90	1.40	2.24	152.73
2007/08 (a)	32.01	41.76	45.42	11.93	22.55	2.92	1.06	2.24	159.88
2008/09 (a)	24.25	41.94	29.28	12.14	18.58	2.96	1.11	2.64	132.90
2009/10 (a)	34.94	55.23	36.34	12.35	25.54	3.23	1.37	4.39	173.37
2010/11 (a)	32.49	59.10	29.41	10.95	21.04	3.10	1.77	5.11	162.96
2011/12 (a)	30.79	50.57	28.55	9.15	17.79	2.27	1.65	4.60	145.34
2012/13 (a)	40.23	50.66	29.42	8.83	24.20	1.84	2.36	4.50	162.03
2013/14 (a)	46.25	52.00	35.58	10.71	29.24	1.92	2.02	4.24	181.95
2014/15	54.68	59.80	42.27	10.56	30.57	2.41	1.88	3.31	205.49
2015/16	49.71	49.93	41.92	9.44	25.55	2.24	1.69	3.23	183.71
2016/17	45.44	46.73	41.58	9.85	23.85	2.15	1.91	3.50	175.01
2017/18	46.07	44.81	41.51	10.50	22.74	2.13	1.85	3.48	173.09
% change:									
2004/05 (a)	-14%	-10%	-11%	5%	2%	-1%	28%	-15%	-9%
2005/06 (a)	-16%	-4%	-4%	-3%	13%	-9%	2%	-24%	-5%
2006/07 (a)	-8%	-2%	9%	5%	-4%	13%	3%	20%	0%
2007/08 (a)	6%	8%	10%	6%	-9%	1%	-24%	0%	5%
2008/09 (a)	-24%	0%	-36%	2%	-18%	1%	5%	18%	-17%
2009/10 (a)	44%	32%	24%	2%	37%	9%	23%	66%	30%
2010/11 (a)	-7%	7%	-19%	-11%	-18%	-4%	29%	16%	-6%
2011/12 (a)	-5%	-14%	-3%	-16%	-15%	-27%	-7%	-10%	-11%
2012/13 (a)	31%	0%	3%	-3%	36%	-19%	43%	-2%	11%
2013/14	15%	3%	21%	21%	21%	4%	-15%	-6%	12%
2014/15	18%	15%	19%	-1%	5%	26%	-7%	-22%	13%
2015/16	-9%	-17%	-1%	-11%	-16%	-7%	-10%	-3%	-11%
2016/17	-9%	-6%	-1%	4%	-7%	-4%	13%	8%	-5%
2017/18	1%	-4%	0%	7%	-5%	-1%	-3%	-1%	-1%

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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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