



**AUSTRALIAN CONSTRUCTION INSIGHTS**  
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# Construction Brief

20 April 2015

## Is the labour market taking a turn for the better?

### RBA leaves rates on hold

*Update:* At its April meeting, the Reserve Bank Board decided to leave the official cash rate unchanged at 2.25 per cent.

*Insight:* Despite clearly signalling a second rate cut was coming in 2015, it turns out that in April we again had to 'hurry up and wait!' It was always a line-ball call, with markets pricing in a rate cut, while surveyed economists held a contrary view. The release of the April meeting minutes on Tuesday 21 April should provide some (limited) guidance as to the RBA's thinking. As we've said before, they should just get on with it if they think they need to cut again.

### Unemployment rate down again in March

*Update:* The unemployment fell to 6.1 per cent during March, the second consecutive monthly decline. Employment grew by 37,700 during the month, meaning annual growth was at 1.6 per cent.

*Insight:* The employment figures were rosier than expected by markets, with the dollar edging higher following their release. Many scrambled to find negatives in the positive result. The relative strength of the figures has caused the market's expectations around an interest rate cut in May to decline moderately.

### New dwelling starts top 197,000 during 2014

*Update:* ABS figures show that over 197,000 new homes were started during 2014. This is easily the highest yearly figure on record, with 'multi-units' having done much of the heavy lifting.

*Insight:* Despite the record figure for the year, activity in the final quarter of 2014 was off the boil. Total starts fell by 10.3 per cent in the last quarter of the year, with a particularly sharp decline of 19.8 per cent in the multi-unit sector. This was largely as envisaged by ACI forecasts. The latest forecasts by different type of multi-unit segment, as well as for detached houses, will be available shortly now that the ABS data for the December quarter last year has been released. For more information see [ACI Premium Products](#).

### Non-residential sees weak end to the year

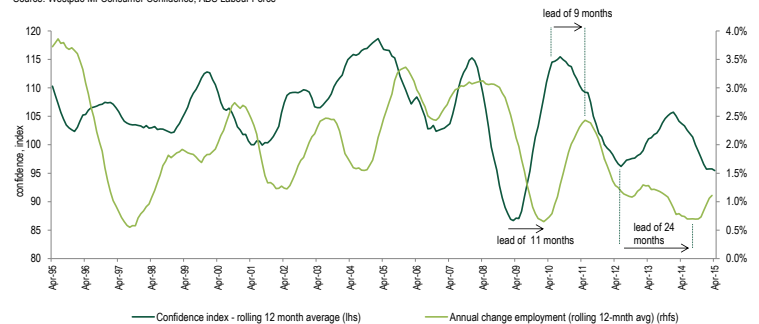
*Update:* Work done in non-residential construction faltered at the end of 2014, with a 4.0 per cent decline occurring during the last three months of the year. During the quarter, a total of \$9.07 billion worth of work was completed which was 1.9 per cent lower than a year earlier.

*Insight:* Public sector work is the Achilles heel for non-res with activity down by 18.3 per cent over the past

year. In contrast, the private sector is showing some signs of life with an increase of 5.3 per cent in the year to the December 2014 quarter. Industrial work did, however, take a hammering over the past year, with a 9.1 per cent decline in the value of work done. Things were a little brighter in commercial, with a 1.6 per cent increase in the value of work done over the year.

### Top of the Charts – what does confidence and employment tell us?

Consumer confidence and employment growth  
Source: Westpac-MI Consumer Confidence, ABS Labour Force



*Update:* The widely-watched Westpac-Melbourne Institute Consumer Confidence Index fell by 3.2 per cent in April to 96.2, well below the critical 100-point threshold.

*Insight:* The latest update to employment provided rosier-than-expected (and very welcome) figures. However, poor confidence, particularly the lack of traction from previous signs of improvement, tempers the broader outlook for employment growth, with our selected chart for this *Construction Brief* highlighting the relationship.

### Autumn 2015 Renovations Roundup – signs of recovery?

Australia's \$28.5 billion home renovations market has been stuck in the doldrums for the past number of years. The autumn 2015 ACI *Renovations Roundup* report is released on Thursday 23 April. It is Australia's most comprehensive review of renovations activity and includes an in depth survey of participants in Australia's renovations market. *Renovations Roundup* features a valuable state by state review of each reno market, plus analysis around the forecasts for reno work in each of the states. Will there be a recovery in Australia's renovations market? Or are we facing several more challenging years? *Renovations Roundup* has the answers. Email Stuart Hylton-Cummins at [s.hyltoncummins@aciresearch.com.au](mailto:s.hyltoncummins@aciresearch.com.au) for more information.

**The fortnight ahead – key releases**

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

**Tuesday 21 April:**

HIA-CoreLogic RP Data Residential Land Report, December 2014 qtr, 11.00am.

RBA Monetary Policy Board Meeting Minutes, April 2014 Meeting, 11.30am.

**Wednesday 22 April:**

ABS Consumer Price Index, March 2015 qtr, 11.30am.

**Thursday 23 April:**

HIA/ACI Renovations Roundup, March 2015 quarter, 11.00am.

**Friday 1 May:**

HIA/ACI Population and Residential Building Hotspots, 2015 edition, 11.00am.

**Key construction indicators – investment in residential and non-residential construction****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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**CONTRIBUTORS:**

**Shane Garrett** Senior Economist

**Diwa Hopkins** Economist

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