



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

# Construction Brief

21 September 2015

## Labour market holds up well despite gloomy headlines

### **Job Creation Continues at Steady Pace**

*Update:* Despite disappointing GDP data for the June 2015 quarter, employment figures for August show that the Australian economy continues to add new jobs at a steady pace. The unemployment rate declined slightly to 6.2 per cent during the month, while total employment was some 2.0 per cent higher than 12 months earlier.

*Insight:* There is much gloom in the air, but the labour market continues to post a pretty decent performance. Even though it is still too high, the unemployment rate has stabilised since the beginning of 2015 and may well have peaked. Meanwhile, the economy has added just shy of 250,000 jobs over the past year. This is the strongest volume of job creation in well over four years. See, it's not doom and gloom!

### **US Fed Bides its Time on Interest Rates**

*Update:* For months, market watchers have been counting down to September's meeting of the US Federal Reserve in anticipation of the first increase in the official US interest rate in almost a decade. Alas, it transpired to be something of a non-event, with the guardians of US monetary policy opting to leave its key rate unchanged for the 81<sup>st</sup> consecutive month.

*Insight:* The rough ride taken by financial markets over recent months is the main factor behind the US Fed's decision to delay interest rate increases. This reflects worries about the health of China's economy, now the world's second largest, and the potential fall-out for global growth prospects. The most likely outcome is that interest rate increases in the US will only be delayed for a couple of months, but financial market developments could have some say in this. Needless to say, the interest rate outlook for Australia also hinges on developments in China with the possibility of another rate reduction increasing since the outbreak of market volatility.

### **Strong Investor Activity Buys Lending**

*Update:* Housing finance figures for July 2015 released by the ABS last week confirm that investors continue to pump up lending activity in the housing market. During July, lending to investors constructing new homes increased 11.7 per cent compared with the previous month to reach a new all-time high.

*Insight:* The strength of investor activity in the housing market is nothing new, with record low interest rates prompting a search for higher yielding investment classes. Meanwhile, lending to owner occupiers purchasing or constructing new homes remained below the previous peak which occurred in September last year. The number of loans to owner occupiers purchasing new homes actually increased by 2.0 per cent, while the number of loans to owner occupiers constructing a home eased by 0.9 per cent. Since July, Australian banks have been tightening up

on residential property investment loans, with stricter LTV caps and higher interest rates. It will be instructive to see how these measures affect lending figures over coming months.

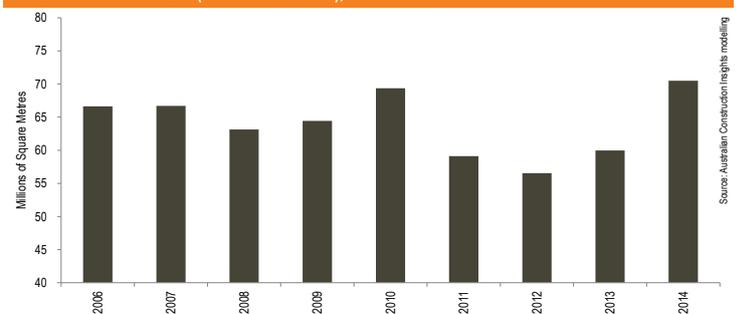
### **Top of the charts – Bumper Year for Building Materials**

*Update:* ACI's inaugural *Building Materials Bulletin* was released recently and contains a wealth of information about the usage of almost 40 categories of product across the carpentry, concrete, flooring, insulation, tiling, brickwork and plasterboard segments amongst others. The report provides usage volumes for each material back to 2006, and forecast usage to 2019 for detached house construction.

*Insight:* Record levels of new home building has fuelled demand for building materials across the spectrum. The chart below summarises usage of plasterboard in detached house construction between 2006 and 2014. The peak in detached house building during 2015 means that over 71 square kilometres of plasterboard is projected to be used for new detached house building. This is almost three times the area of the Sydney CBD! For more information on the ACI Building Materials Bulletin, please contact:

[s.hyltoncummins@aciresearch.com.au](mailto:s.hyltoncummins@aciresearch.com.au)

**ESTIMATED PLASTERBOARD USAGE (STANDARD AND WATERPROOF) IN DETACHED HOUSE BUILDING IN AUSTRALIA (MILLIONS OF SQM), 2006 TO 2014**



### **Victoria Surges in ACI Construction Rankings**

*Update:* ACI's *Construction Monitor* Spring 2015 edition was recently published and shows that Victoria continues to climb in the overall state rankings for non-residential construction rankings. The ACI Construction Monitor offers the most comprehensive insight into Australia's non-residential construction market, and covers construction activity in retail, wholesale, transport buildings, offices, warehouses, aged care buildings and engineering construction amongst others on a state by state basis.

*Insight:* Whereas engineering construction is under pressure with the downturn in mining investment, the prospects are starting to look a bit more positive for building work. The outlook is strengthening in a few sectors including aged care buildings, but remains challenging in many others. Visit <https://aciresearch.com.au> for details of this publication.

**The fortnight ahead – key releases**

The fortnight ahead includes a number of major updates relevant to the construction industry:

**Tuesday 22 September:**

ABS Residential Property Price Indexes, June 2015, 11.30am

**Wednesday 23 September:**

HIA-Cordell Construction Outlook Breakfast, Melbourne, 7:00am

2014/15 HIA-Colorbond® steel Housing 100, 11.00am.

**Thursday 24 September:**

HIA-Cordell Construction Outlook Breakfast, Sydney, 7:00am

2014/15 HIA-Cordell Construction 100, 11.00am

ABS Australian Demographic Statistics, March 2015, 11.30am

**Friday 25 September:**

HIA-Cordell Construction Outlook Breakfast, Brisbane, 7:00am

**Wednesday 30 September:**

ABS Building Approvals, August 2015, 11.30am

ABS Engineering Construction Activity, June 2015, 11.30am

**Construction Workforce****CONSTRUCTION WORKFORCE ('000) - AUSTRALIA**

|   | May Quarter 2014 | May Quarter 2015 | Y on Y        |
|---|------------------|------------------|---------------|
| <b>Construction</b>                             | <b>1030.8</b>    | <b>1049.1</b>    | <b>1.8%</b>   |
| <b>Building Construction</b>                    | <b>248.1</b>     | <b>269.1</b>     | <b>8.5%</b>   |
| Residential Building Construction               | 88.1             | 96.6             | 9.6%          |
| Non-Residential Building Construction           | 36.2             | 36.2             | 0.0%          |
| Building Construction, nfd                      | 123.8            | 136.2            | 10.0%         |
| <b>Heavy and Civil Engineering Construction</b> | <b>85.7</b>      | <b>73.6</b>      | <b>-14.1%</b> |
| Heavy and Civil Engineering Construction        | 85.7             | 73.6             | -14.1%        |
| <b>Construction Services</b>                    | <b>657.2</b>     | <b>680.4</b>     | <b>3.5%</b>   |
| Land Development and Site Preparation Services  | 54.0             | 51.5             | -4.6%         |
| Building Structure Services                     | 72.0             | 77.6             | 7.8%          |
| Building Installation Services                  | 226.0            | 247.0            | 9.3%          |
| Building Completion Services                    | 188.3            | 189.3            | 0.5%          |
| Other Construction Services                     | 110.0            | 102.6            | -6.7%         |
| Construction Services, nfd                      | 6.6              | 12.2             | 84.8%         |
| <b>Construction, nfd</b>                        | <b>39.7</b>      | <b>25.8</b>      | <b>-35.0%</b> |
| Construction, nfd                               | 39.7             | 25.8             | -35.0%        |

Source: ACI, ABS 6291.0

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