

NSW 'budgets' on a construction boom

Budgeted capital expenditure boom in NSW

Update: Last week's New South Wales Budget included \$68.56 billion of expenditure allocated across the state's range of infrastructure requirements. This aggregate amount is spread relatively evenly at around \$17 billion per annum during the four years to 2018/19. To put that in context, total public sector building and construction activity in NSW in the 2014 calendar year was worth less than \$14 billion. We told you to keep an eye out!

Insight: ACI has for some time, across our different formats, been urging readers to watch NSW closely. Our recently-released *Construction Monitor* noted the broad-based sectoral strength in the outlook for the state's non-residential construction industry. This budget measure provides the state's current, budding non-residential construction recovery the impetus to flourish into a strong boom in text-book style; following the lead of the state's now-maturing residential building boom. For more information email: info@aciresearch.com.au.

NSW Budget Bottom Line

Update: The NSW budget experienced significant upward revisions to its forecasted surpluses, off the back of windfall stamp duty revenue, early receipt of Commonwealth Grants, and higher than expected distributions from government businesses.

Insight: The NSW budget bottom line should remain in good shape over the forecast years, as projected. However, we do see risks to the state's fiscal situation further out as a range of revenue pressures – clearly not yet at play – start to take effect.

Twin Speed Dwelling Price continues

Update: ABS dwelling price data for the March 2015 quarter showed that prices increased by 1.6 per cent during the quarter, and were 6.9 per cent higher than the same time one year earlier.

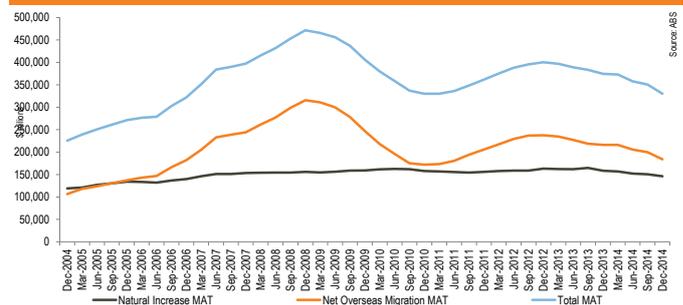
Insight: The data underline the contrast between dwelling price growth in Sydney and the other seven capital cities. In annual terms, dwelling prices rose by 13.1 per cent in Sydney with price growth below 5 per cent in every one of the other seven cities. Price falls were actually recorded in Perth and Darwin over the 12 month period. The disparity in dwelling price growth across Australia is a reminder of the difficulties in applying 'one size fits all' commentary and policies to the housing market nationally.

Top of the Charts – Population Growth

Update: ABS data show that Australia's population grew by an annual rate of 1.4 per cent to reach 23.63 million persons at the end of 2014. The stronger performers were NSW (there's that state again) and Victoria, with growth of 1.8 per cent and 1.4 per cent, respectively. Western Australia still recorded faster growth stronger than the national average, but overall, population growth is slowing in the West.

Insight: While Australia's overall rate of population growth is slowing, the internal migration shifts are the key to watch. The non-mining states, most particularly the already populous south eastern states, are the main beneficiaries. In NSW in particular, net interstate migration is nudging very close to being positive for the first time in decades – the rosy outlook ahead of NSW will be a strong attraction and likely tip interstate migration into positive territory, reinforcing the construction potential ahead.

COMPONENTS OF POPULATION GROWTH (MOVING ANNUAL TOTAL), 2004 TO 2014



Grexit Groundhog Day

Update: Greece's banks will remain shut today after their emergency cash lifeline was withdrawn yesterday by the European Central Bank (ECB). A referendum is being held on Sunday on whether the country should accept revised bail-out conditions from its international creditors.

Insight: Greece's economy has contracted by over 25 per cent since the beginning of the GFC with the official unemployment rate standing at almost 30 per cent. Since January, the new left-wing government in Athens has resisted some of the prescribed 'austerity' reforms which has resulted in the EU/IMF withholding a EUR7.2 billion loan to Greece. This means that Greece is highly likely to miss a debt repayment to the IMF due on Tuesday. As we go to print, the situation is fluid with the outcome of Sunday's referendum being crucial for Greece's future in the Euro currency. In the meantime, the closure of Greek banks and the stockmarket this week is likely to focus minds.

The fortnight ahead – key releases

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

Tuesday 30 June:

HIA/ACI New Home Sales, May 2015, 11.00am.

Wednesday 1 July:

CoreLogic RP Data Hedonic Home Value Index Results, June 2015, 9.30am.

ABS Building Approvals, May 2015, 11.30am.

ABS Engineering Construction Activity, March 2015 quarter, 11.30am.

Thursday 2 July:

ACI Research Snapshot – Current Population Growth: Implications for Housing, 11:00am.

Tuesday 7 July:

HIA-AIG Performance of Construction Index, June 2015, 9.30am.

RBA Monetary Policy Decision, July, 2.30pm.

Thursday 9 July:

ABS Labour Force, June 2015, 11.00am.

Friday 10 July:

ABS Housing Finance, May 2015, 11.00am.

State Rankings in Non-Residential Construction**National Ranking Summary**

Rank	State	State Score	Change in State Score	Change in Rank	Market Momentum*
1	NT	32.6	2.3	Unchanged	→
2	NSW	29.9	0.4	Unchanged	→
3	VIC	29.7	3.4	Up 2	↑
4	WA	26.3	-2.6	Unchanged	→
5	TAS	26.1	-3.0	Down 2	→
6	SA	25.0	3.3	Up 2	↑
7	QLD	24.0	-1.3	Down 1	→
8	ACT	21.1	-2.1	Down 1	→

*A decline in a state score of more than three is considered to be indicative of declining momentum, an increase of more than three is considered positive momentum and any positive or negative movement of less than three is considered neutral.

Source: ACI Construction Monitor

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AUSTRALIAN CONSTRUCTION INSIGHTS
Research powered by HIA Economics

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