



# Outlook for Building and Construction

PVC Australia, March 2018

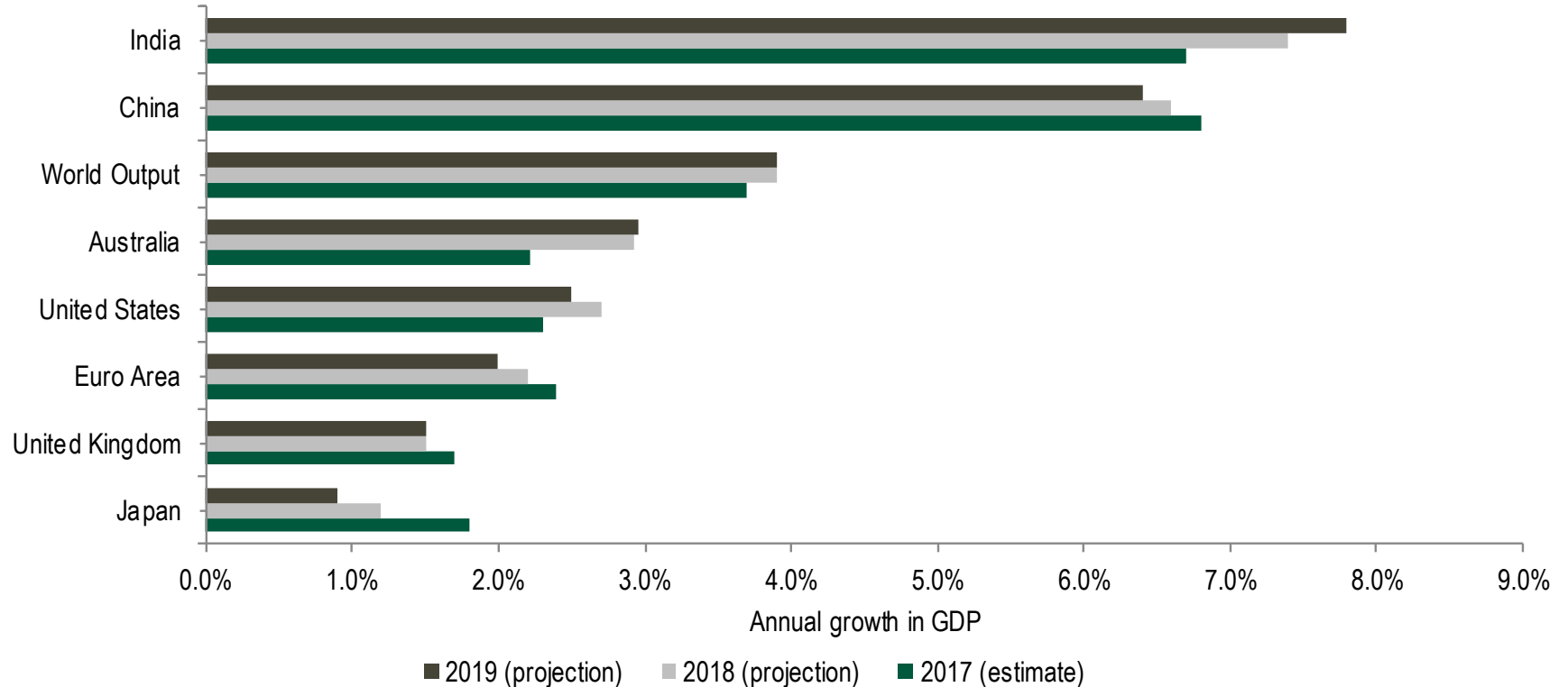
Geordan Murray

HIA Senior Economist

# Improving global outlook

## World Economic Growth Outlook

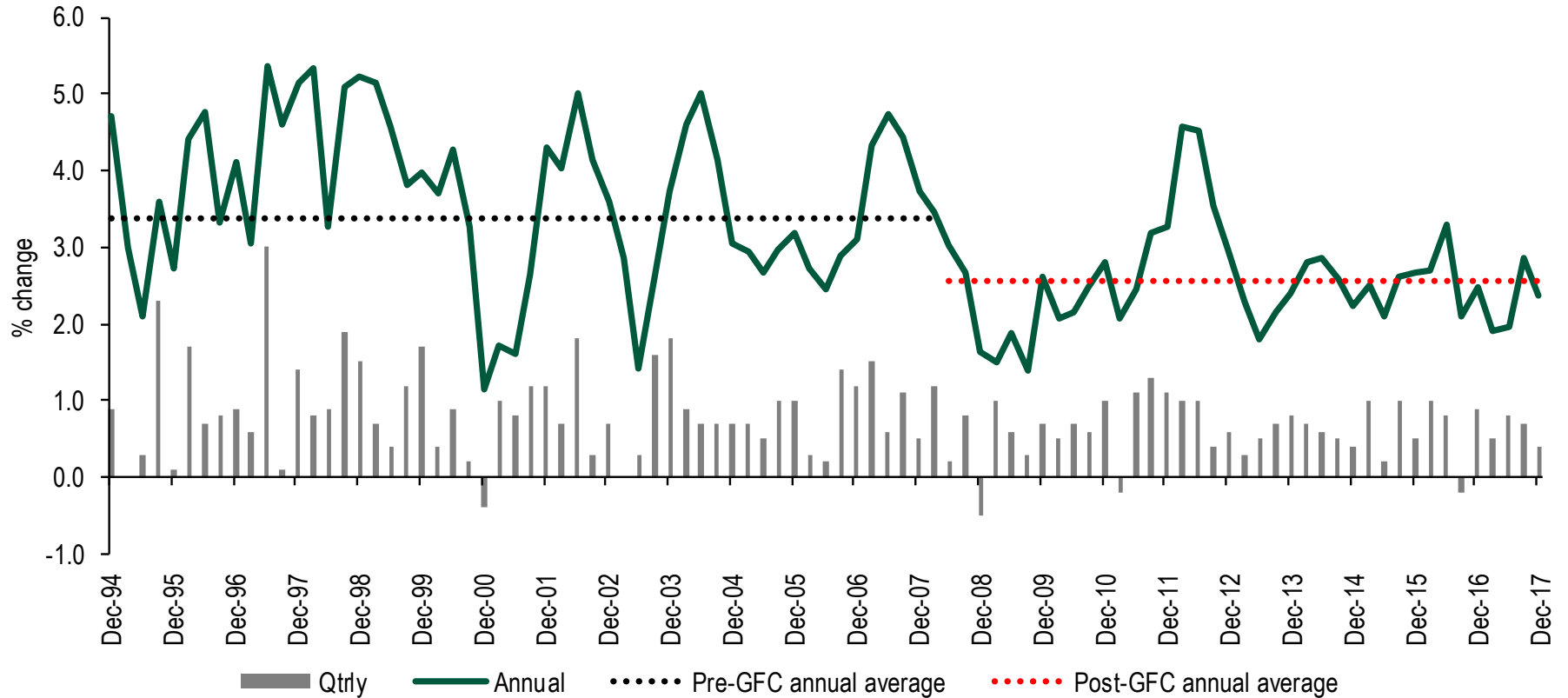
Source: IMF World Economic Outlook, January 2018



# ...this will support stronger growth here

## Gross Domestic Product

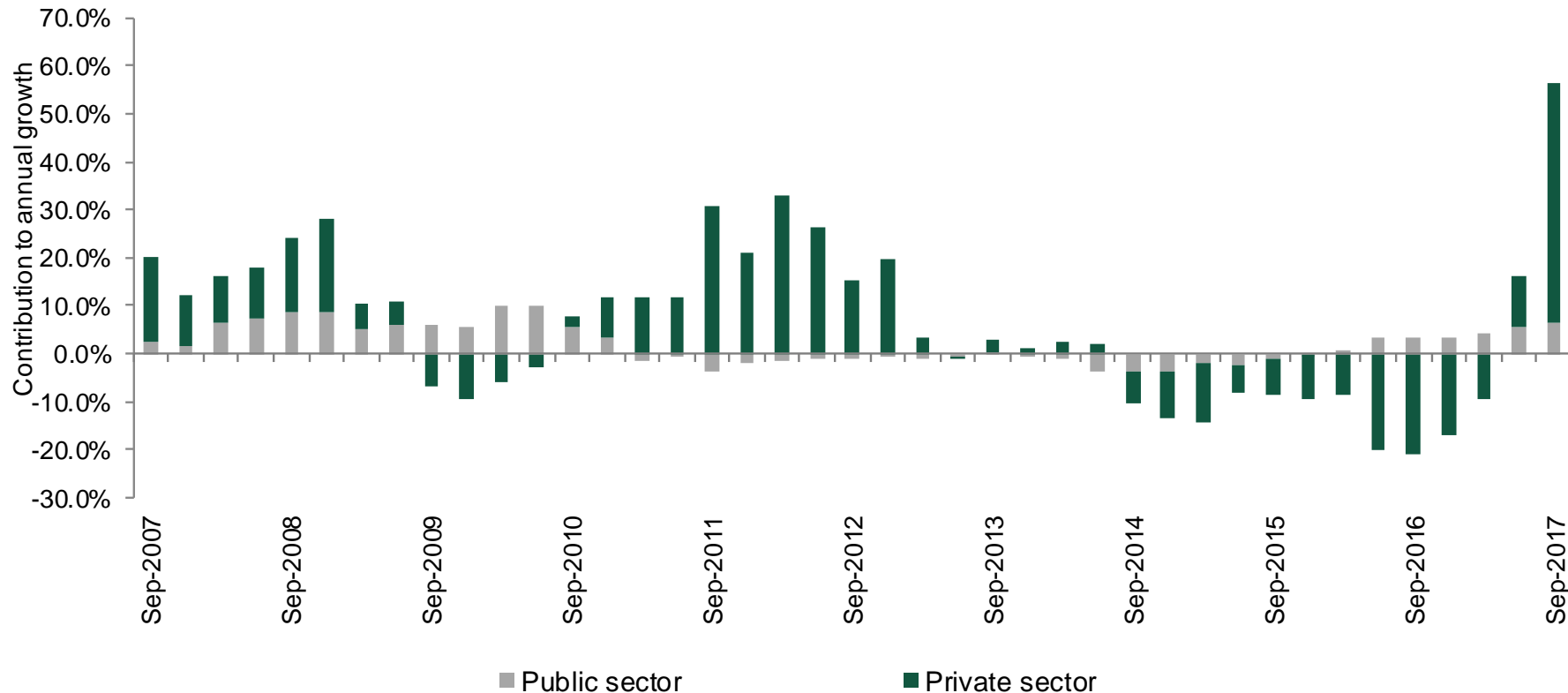
Source: ABS 5206



# Public sector driving demand for construction

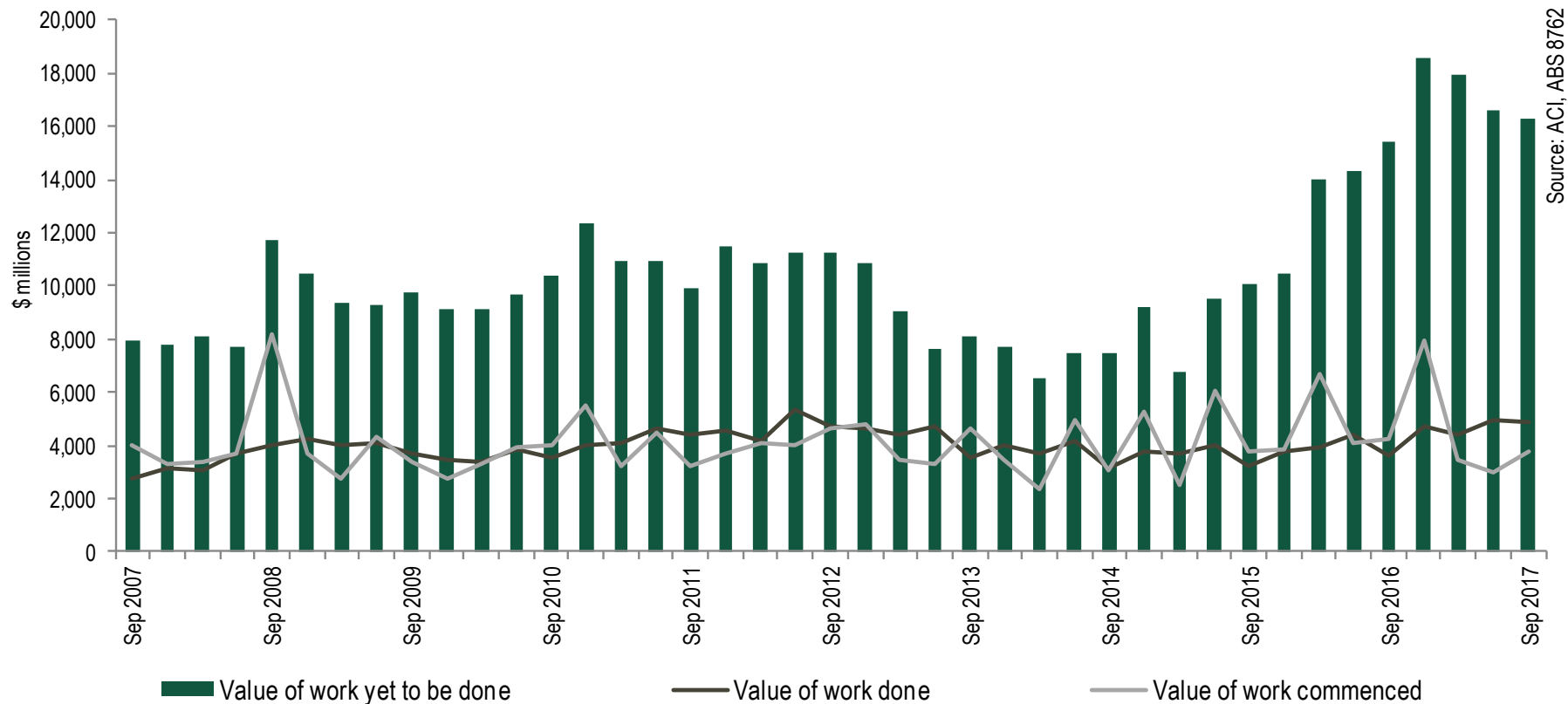
## Sector Contributions to Non-Residential and Engineering Construction

Source: ACI, ABS 8752.0



# Where public investment is flowing in 2018:

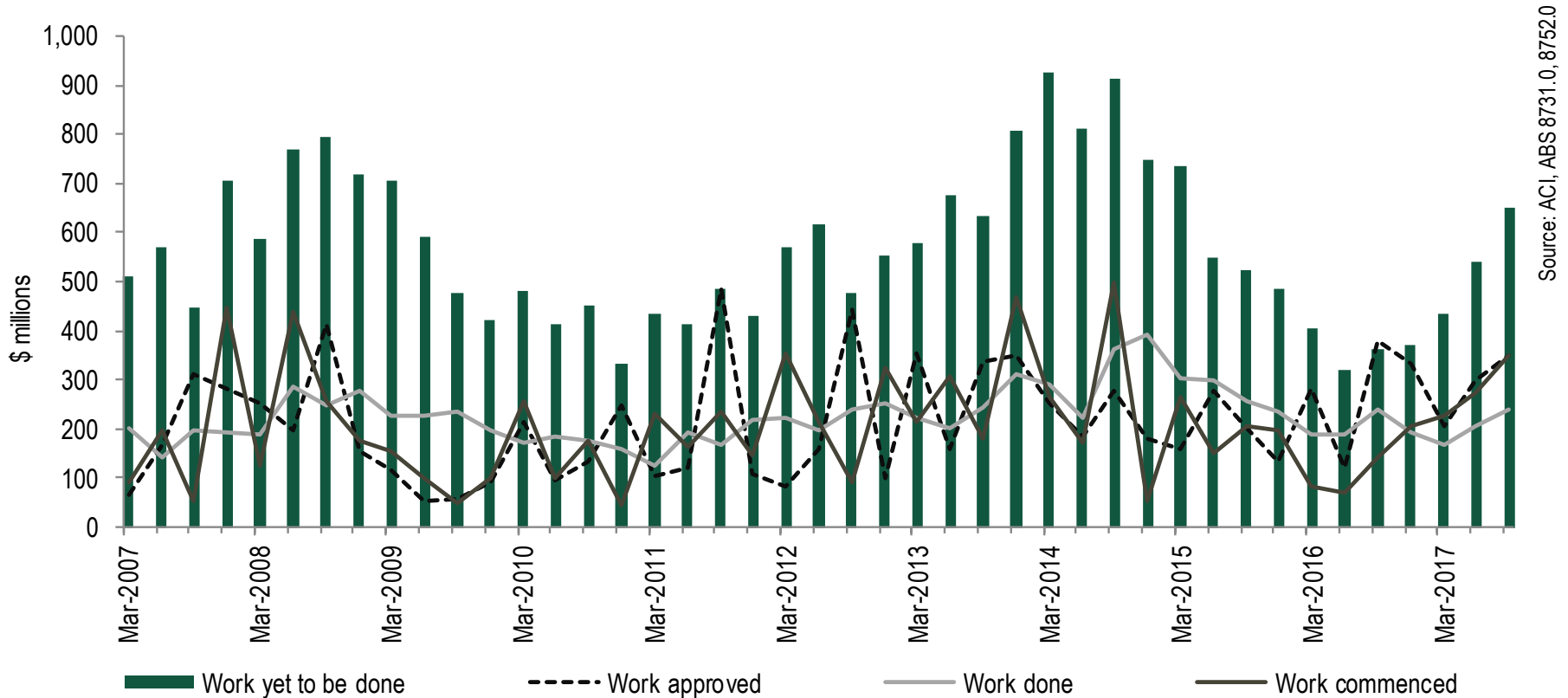
## ROADS, HIGHWAYS AND SUBDIVISIONS



Source: ACI, ABS 8762

# Where public investment is flowing in 2018:

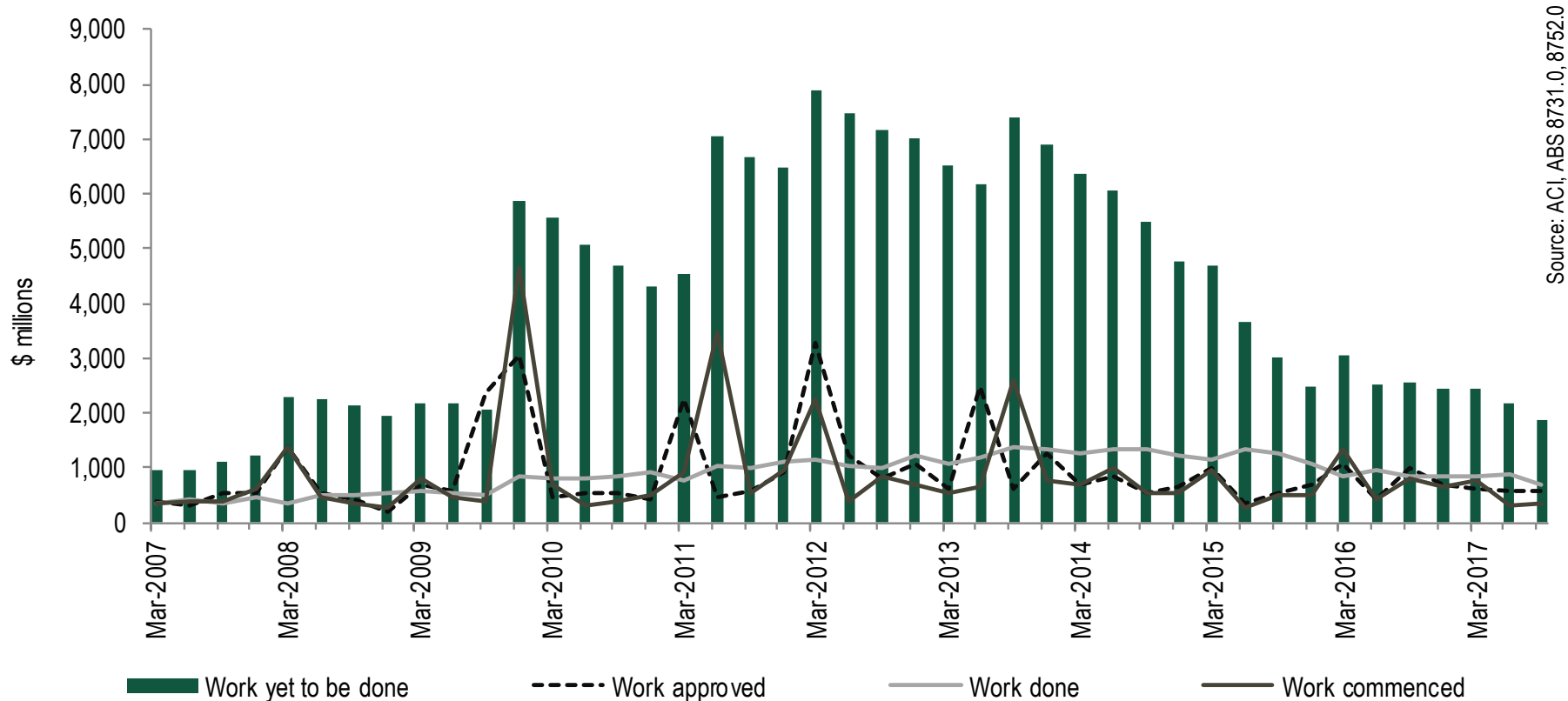
## TRANSPORT BUILDINGS



Source: ACI, ABS 8731.0, 8752.0

# Missing in action...

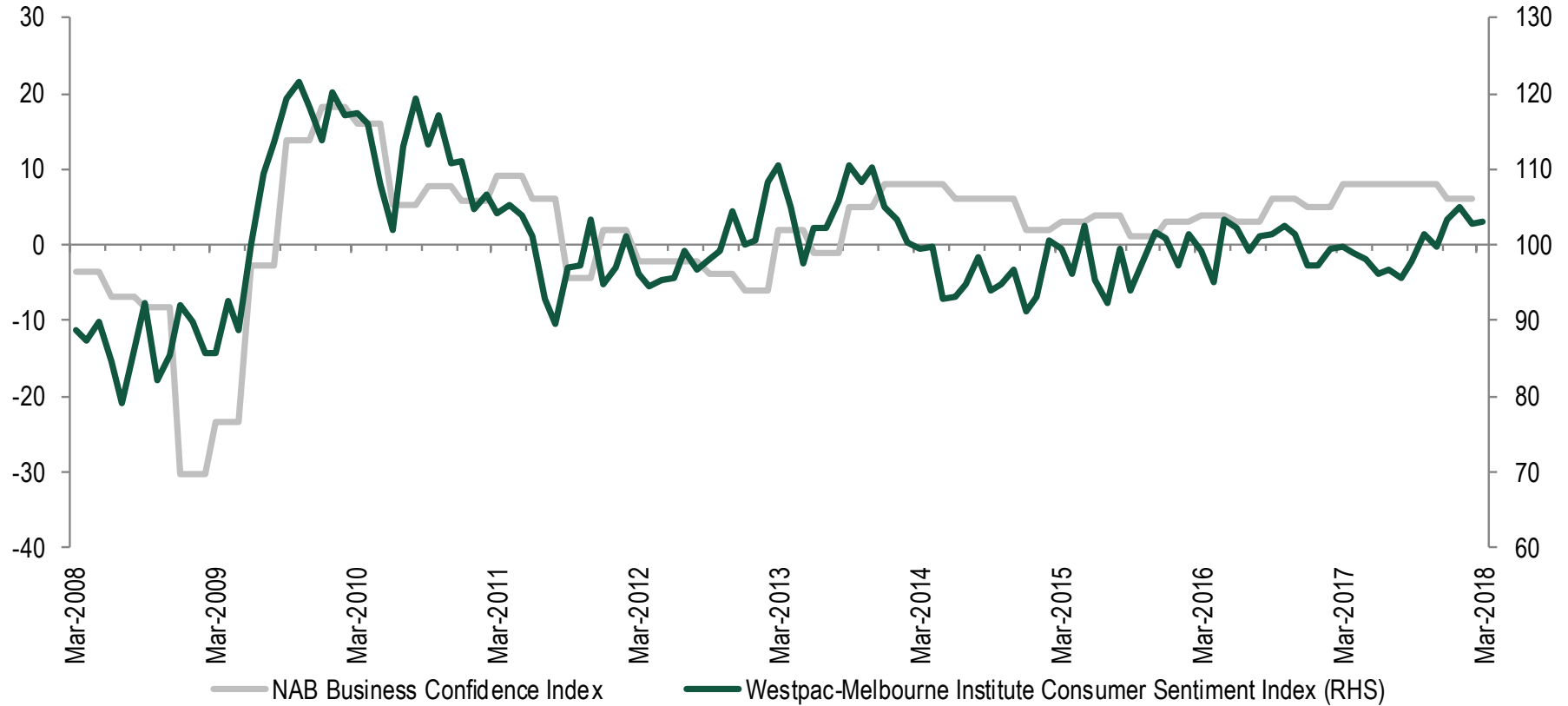
## HEALTH BUILDINGS



# Animal spirits have improved

## Consumer Sentiment and Business Confidence

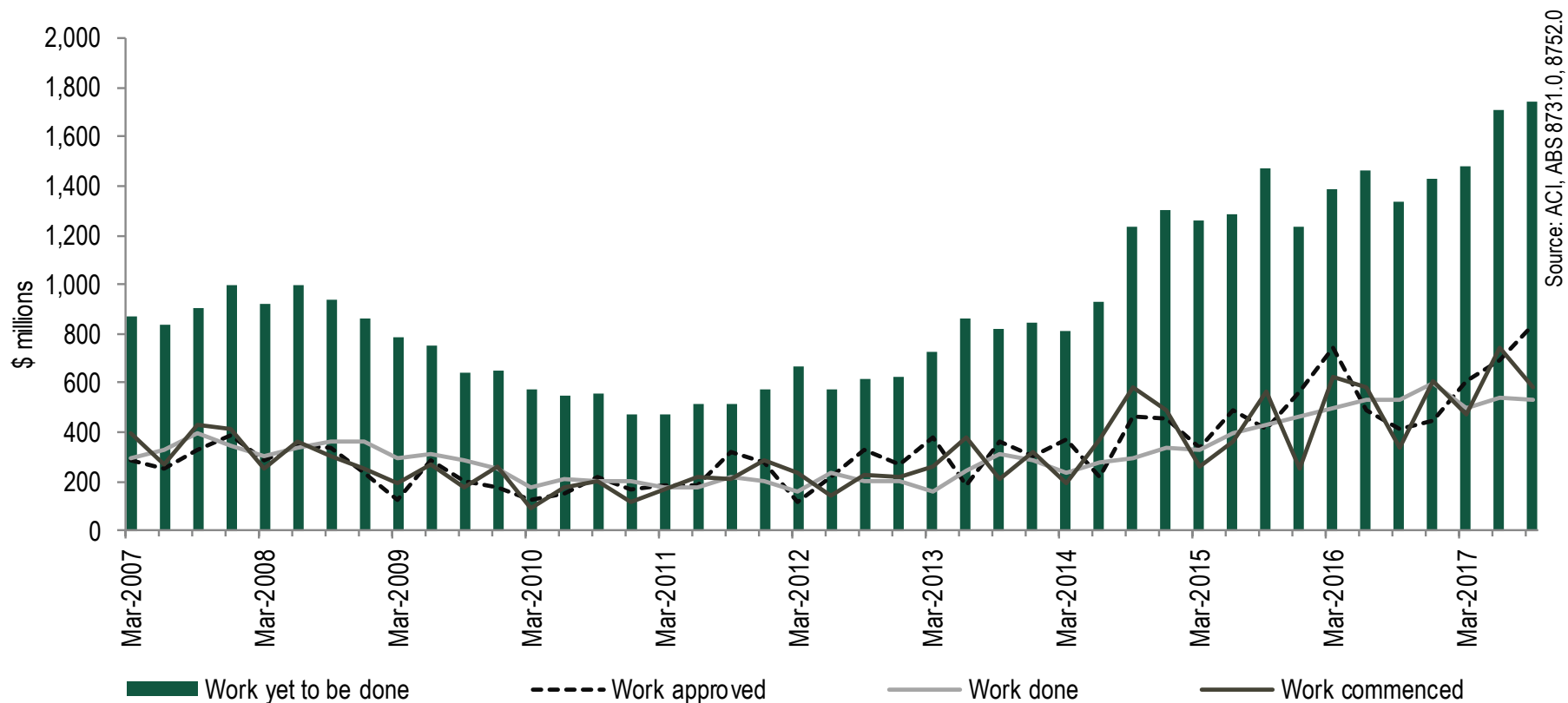
Source: NAB Quarterly Business Survey, Westpac-Melbourne Institute





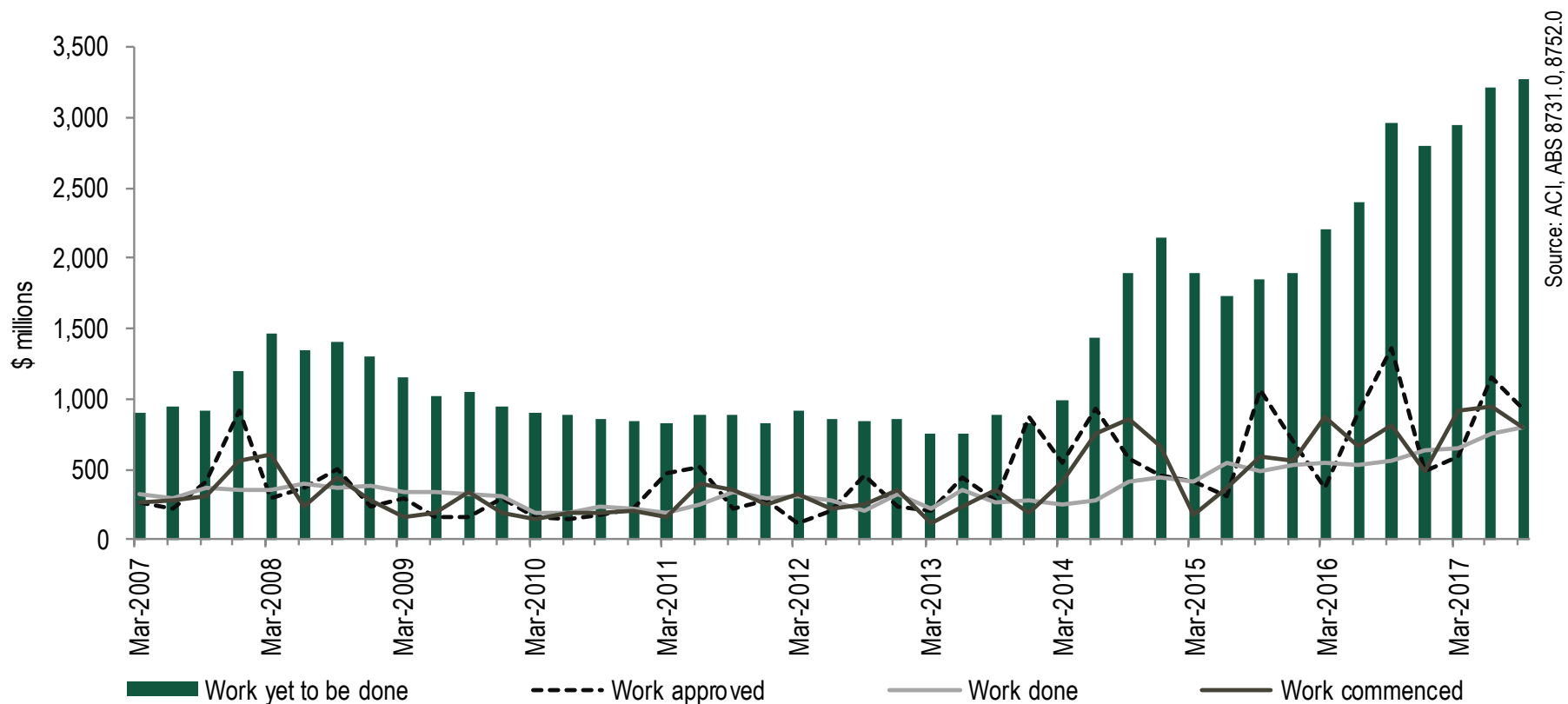
# Private sector sees opportunity

## AGED CARE BUILDING



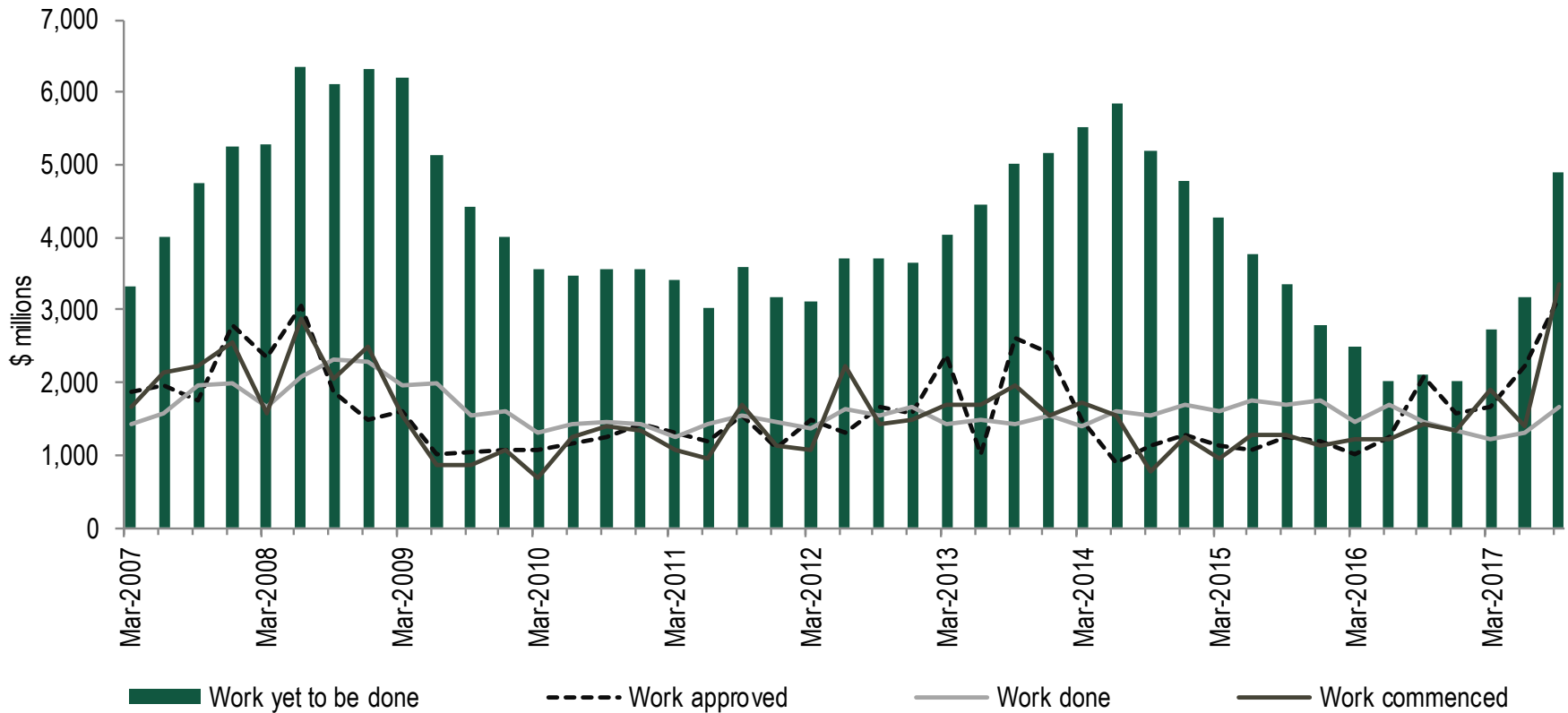
# Private sector sees opportunity

## SHORT TERM ACCOMMODATION BUILDINGS



# Private sector sees opportunity

## OFFICES



Source: ACI, ABS 8731.0, 8752.0

# Labour market is strengthening

## Unemployment Rate by State - January 2018

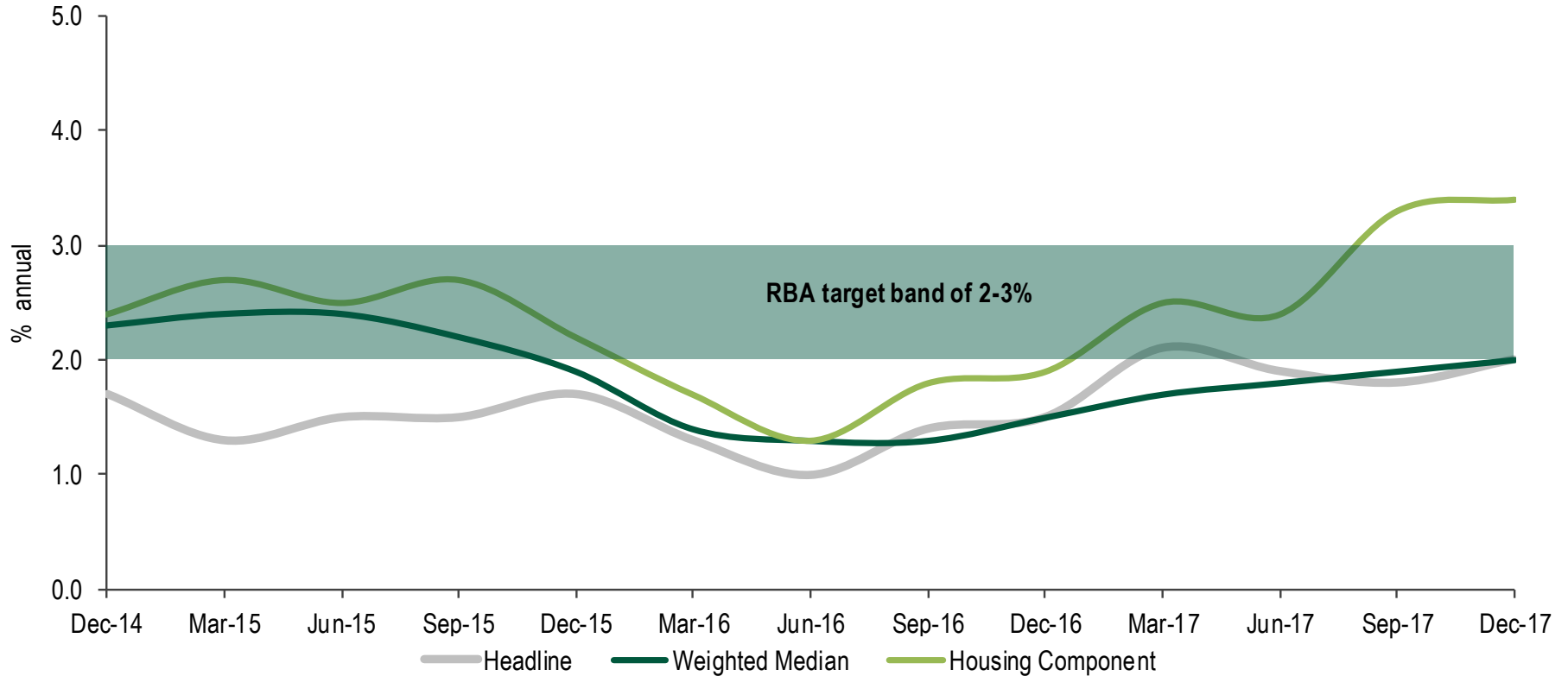
Source: ABS Labour Force



# Inflation is still below target

## Consumer Price Index

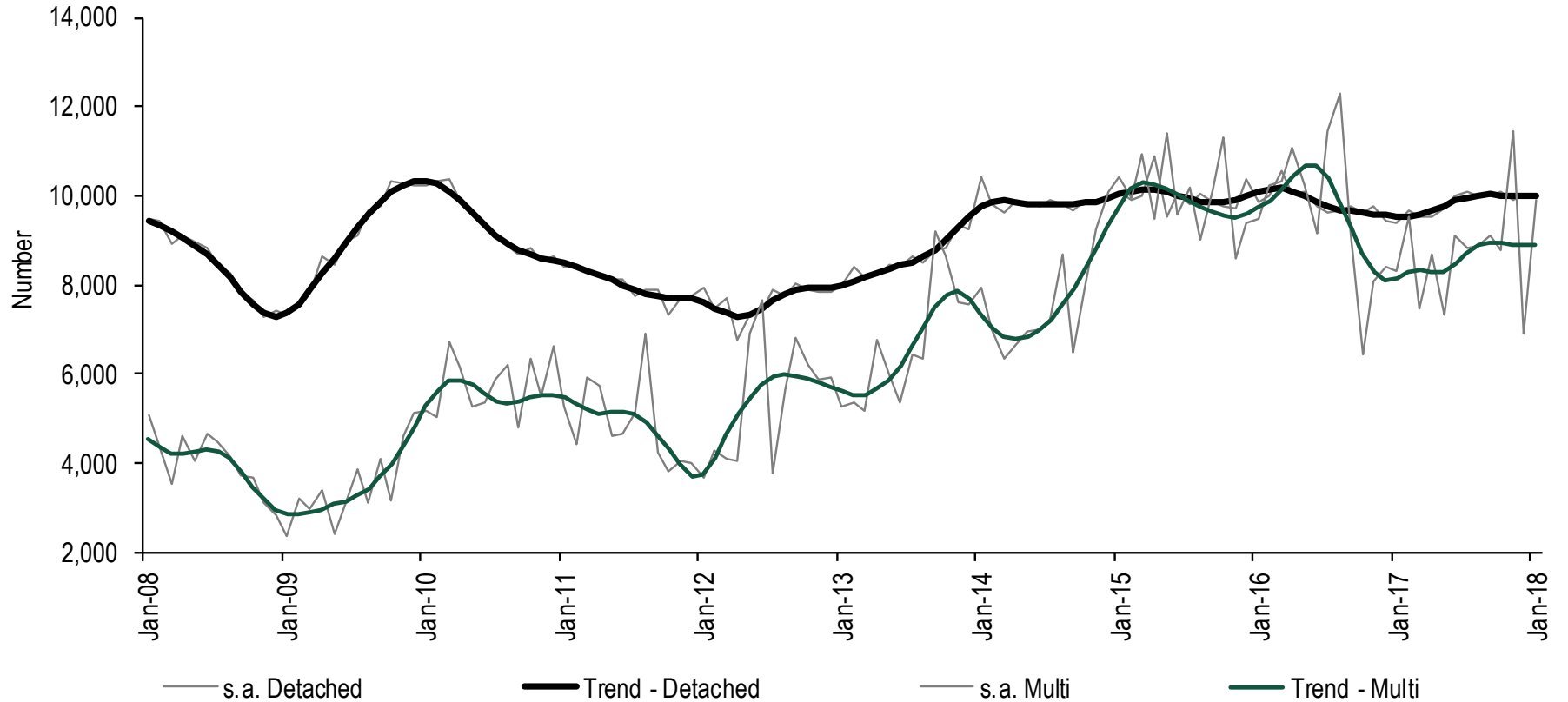
Source: ABS 6401; Reserve Bank of Australia



# Approvals finished 2017 strongly

## Building Approvals - Australia

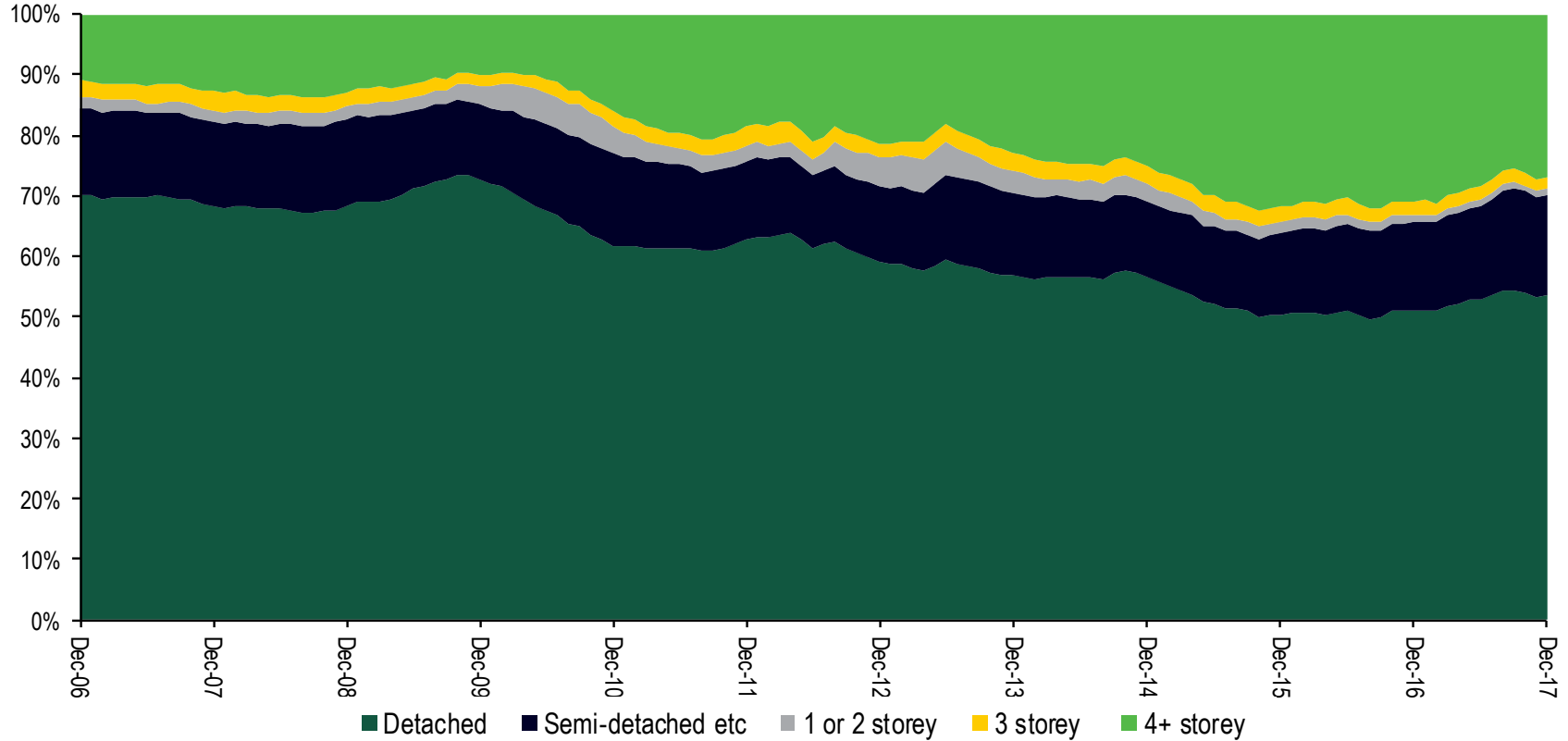
Source: 8731



# The housing mix has changed

## Proportion of Approvals by Dwelling Type

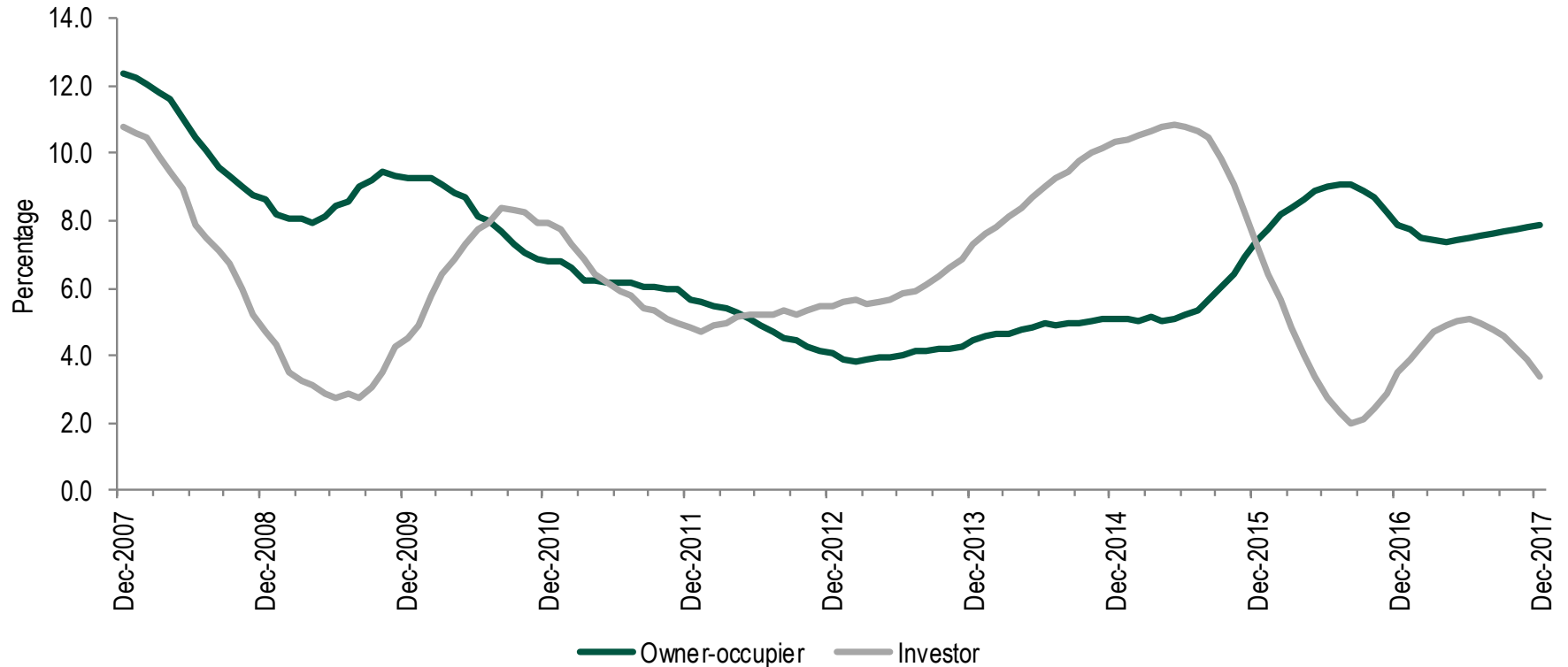
Source: ABS 8731



# Investors have been pushed to the sidelines

## Annual Growth in Housing Credit

Source: HIA Economics, RBA

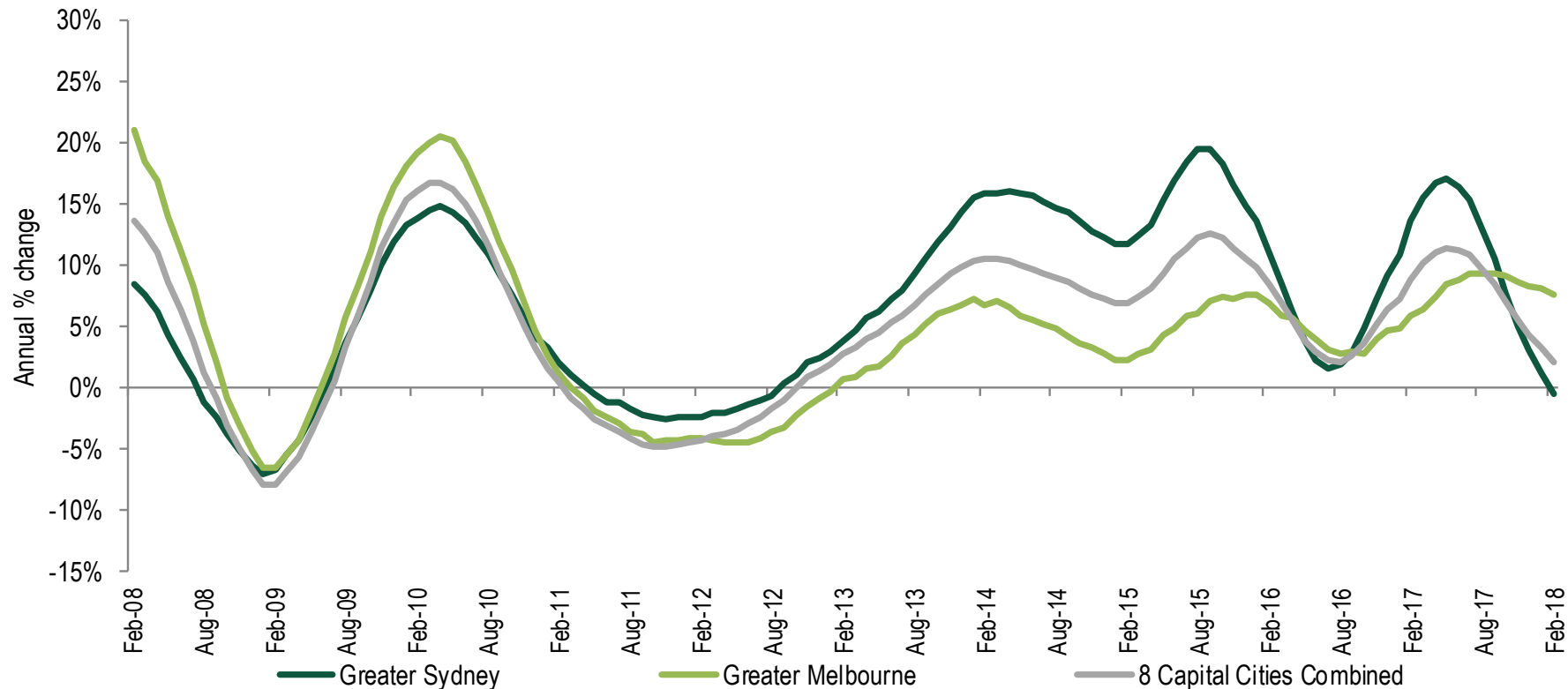




# Pressure has come off home prices

## Annual growth in dwelling values - Sydney, Melbourne & Capital Cities Combined

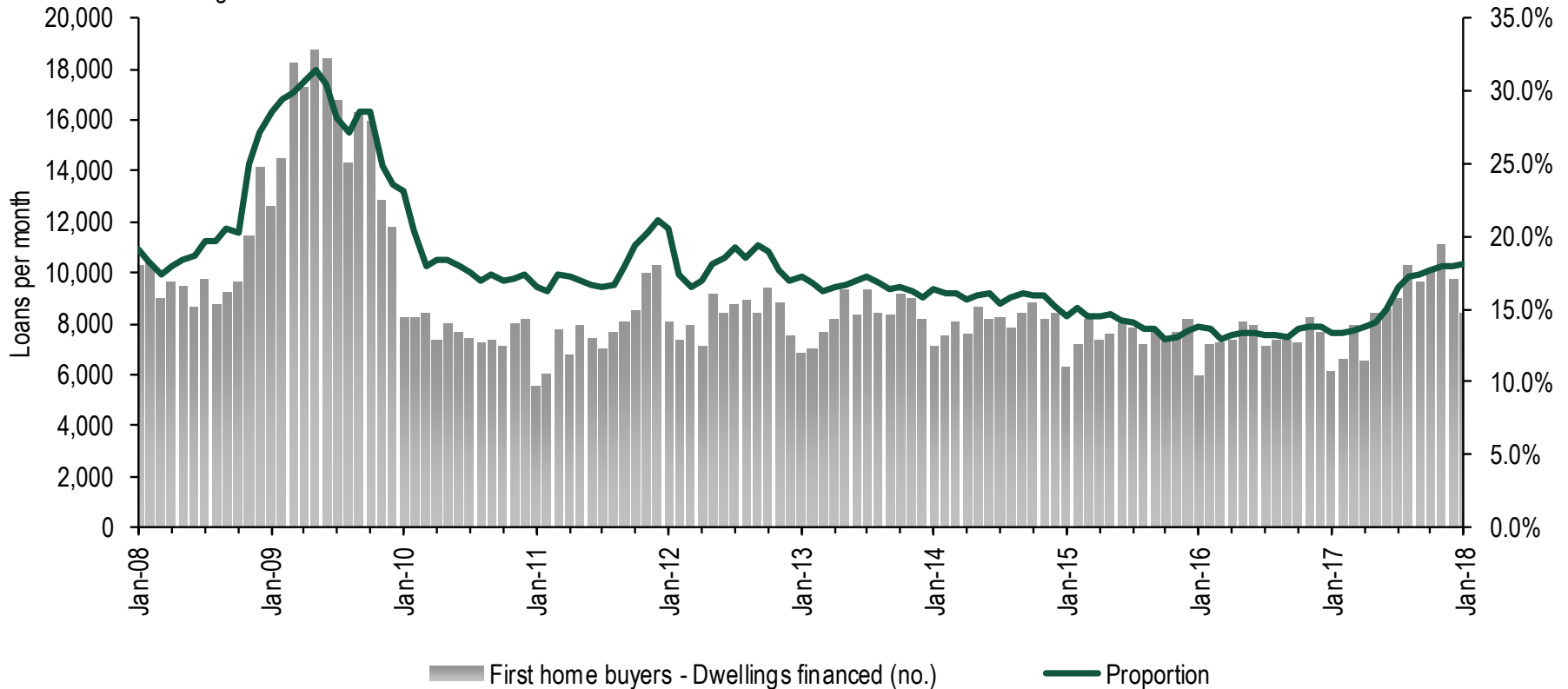
Source: RP Data Hedonic Daily Home Value Index



# ... the door has opened for first home buyers

## First Home Buyers in Australia

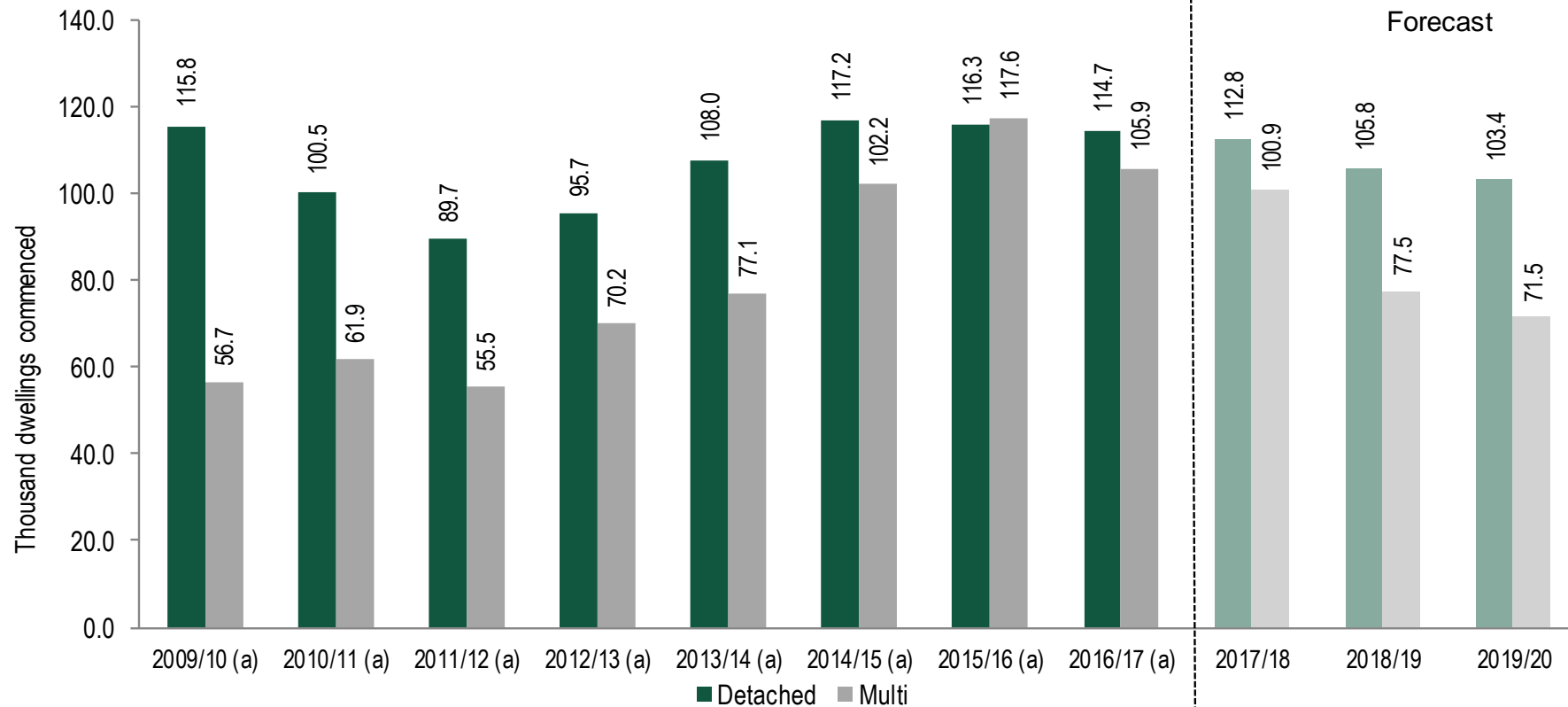
Source: ABS Housing Finance



# Outlook for New Home Starts

## Australia Housing Starts Forecasts

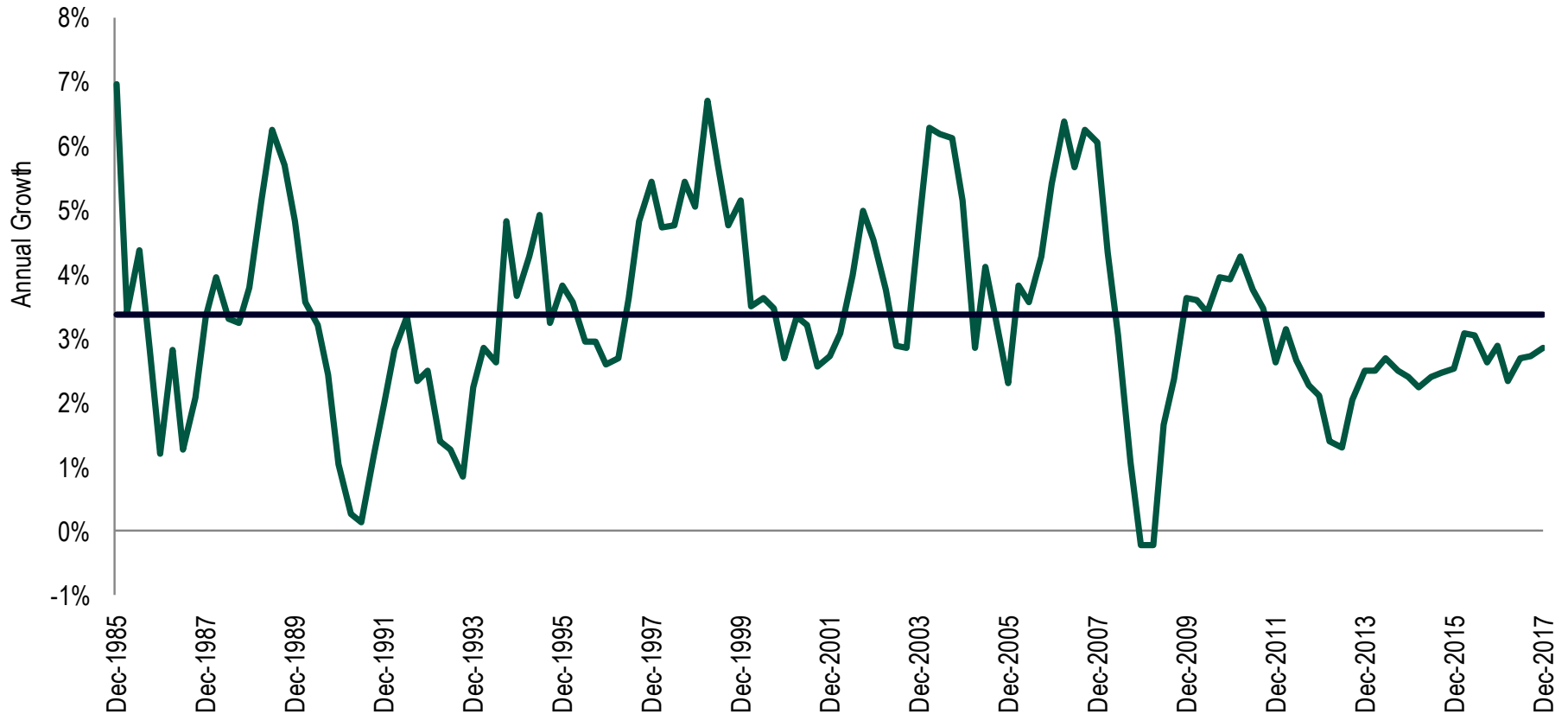
Source: HIA Economics



# Households must come along for the ride

## Household Consumption

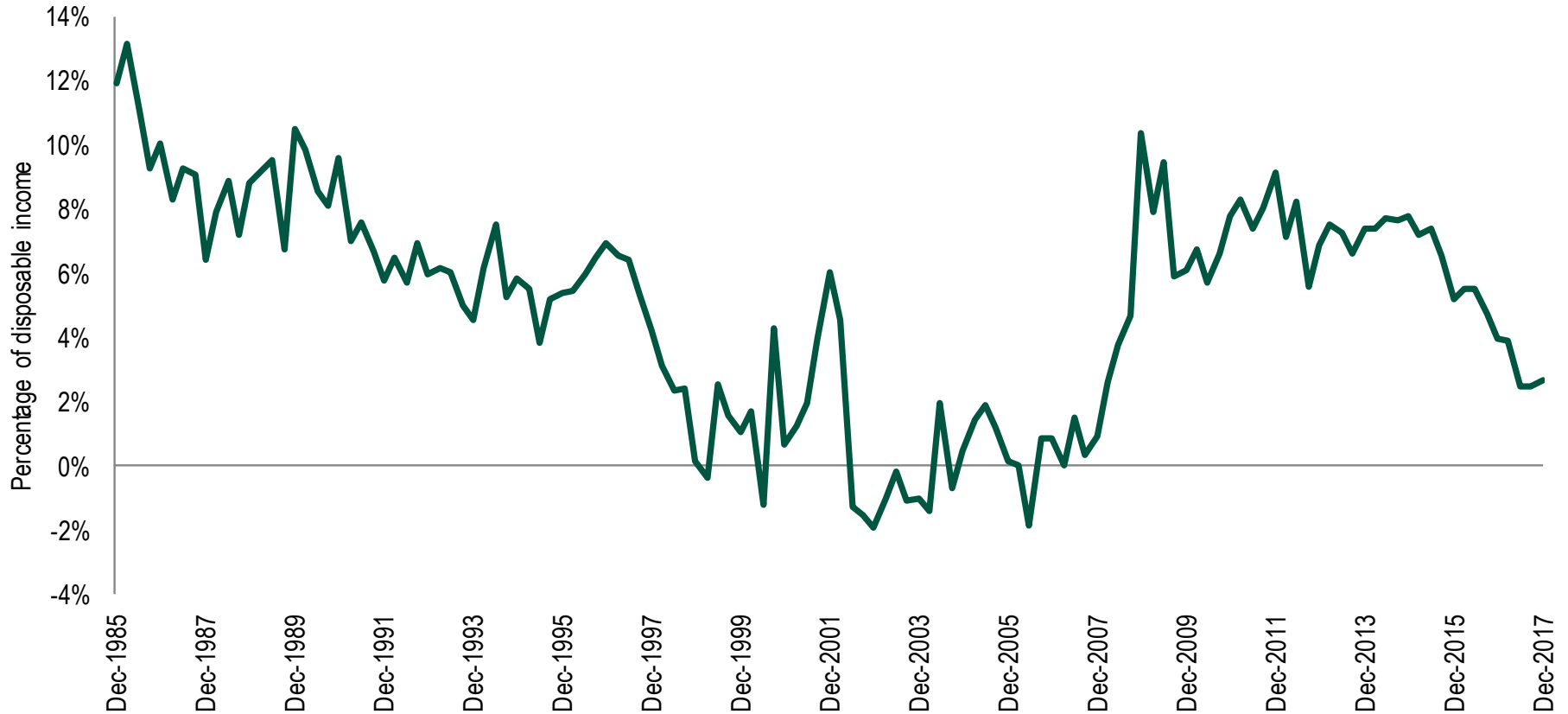
Source: HIA Economics, ABS 5206



# Smoothing consumption over time

## Household Savings Rate

Source: HIA Economics, ABS 5206



# Looking ahead...

- Improved global outlook will support growth
- Domestic GDP growth projected to improve
- Construction should make a positive contribution growth
  - Diminished drag from mining investment
  - Public sector investment is strong
  - Non-mining business investment ticked up
  - ...but residential building will detract from growth
- The household sector will be the key
  - Wage growth Vs. Interest rates



# HIA Economics

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