

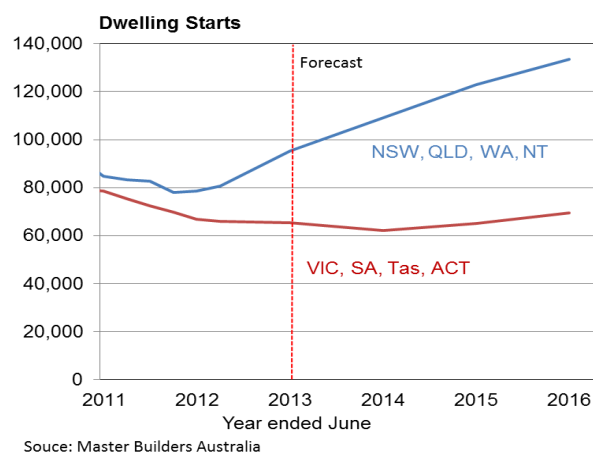
BUILDING AND CONSTRUCTION INDUSTRY FORECASTS

Mixed Outlook for Building and Construction

November 2013

Master Builders forecasts a mixed outlook for the building and construction across the major sectors of the industry over the three year forecast period to 2015-16. The forecasts are derived from a sophisticated model purposely built for the building and construction industry developed by Master Builders in collaboration with Independent Economics. The return to more positive conditions for residential and commercial apartment builders implicit in the forecasts signals light at end of what has been a very long tunnel. However, subdued prospects for many parts of non-residential building and a fall-back in engineering construction means overall industry conditions will fail to lift over the forecast period. Indeed, the current economic climate presents challenging headwinds that may impede the timing and strength of the forecasts.

The value of Residential Building work done is set to improve strongly over the next three years, but from a low base, after marginal growth in 2012-13. The value of residential building work done, in real terms, is forecast to grow by more than 25 per cent, from \$48 billion in 2012-13 to \$62 billion in 2015-16. The number of dwelling starts is predicted to draw near to 200,000 by 2015-16. The underlying assumption is that low interest rates will work to release significant pent up demand after a long period of underbuilding during a phase of strong population growth. The stronger performing states are forecast to be New South Wales, Queensland and Western Australia. The key risks to the forecasts are consumer caution, economic uncertainty and ongoing softness in the labour market. The forecast improvement in Residential Building comes from a very low base and the challenge remains for policy makers to address supply side inefficiencies and impediments that have contributed to the nation's housing shortfall.



Non-Residential Building work done declined further in real terms in 2012-13 but is forecast to stabilise over the following three years. Growth is expected to be driven by commercial and industrial building sectors, contrasting with weakness in social and institutional sectors and education related building. The value of Non-Residential Building work done is expected to remain at around \$33 billion in real terms over the period to 2015-16, well below the recent, stimulus-driven peak in 2010-11. New South Wales is predicted to be the best performing state in terms of Non-Residential Building, with industrial, retail and office building leading the way. Reflecting current economic conditions, the key headwinds and risks are low investor confidence and capacity utilisation leading to poor cash flows and low margins. Lending criteria remain tough.

The Engineering Construction sector rose to remarkable heights during the resources investment boom. However, the investment phase has now peaked and Engineering Construction is forecast to fall by nearly 20 per cent in real terms over the next three years, from \$122 billion in 2012-13 to \$102 billion in 2015-16. After very strong growth, Engineering Construction activity in the Northern Territory, Western Australia and Queensland is forecast to fall back, albeit remaining at high levels. New South Wales and Victoria look set to benefit from stronger infrastructure spending.

The forecasts are set against a background of a two speed economy with weak activity outside of mining, fiscal consolidation, poor sentiment, a high Australian dollar and soft labour market. The forecasts reflect highly variable prospects for the building and construction industry by sector and state, with Queensland, New South Wales and parts of the Western Australian building industry set to enjoy better times after a number of challenging years.

Building and Construction Value of Work Done, Australia (2010-11 prices, %ch)



Full Report: Hard or electronic copy \$1,100*

State Report: Hard or electronic copy \$275*

*price includes GST.

Available soon on www.masterbuilders.com.au

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Collaboration with Independent Economics has enabled Master Builders Australia to develop an advanced and sophisticated industry economic forecasting capability.

The building and construction industry forecasts are by state and sector:

- Residential building by houses (detached); other residential (units etc); and alterations and additions.
- Non-residential building by retail; office; industrial and other commercial; educational; health and aged care; entertainment and recreation; accommodation; and other non-residential.
- Engineering construction by roads; bridges, railways and harbours; electricity; water; telecoms; heavy industry; and recreation.

**GROSS STATE PRODUCT FORECASTS
(annual percentage change)**

	2012-13	2013-14	2014-15
NSW	2.50	2.75	2.75
Victoria	1.50	2.25	2.75
Queensland	3.50	3.00	3.00
South Australia	1.25	2.50	2.75
Western Australia	5.75	3.25	2.5
Tasmania	-0.75	2.00	2.00
Northern Territory	4.60	5.00	7.00
ACT	2.75	1.75	2.50
Australia	2.75	2.5	3.00

Source: State and Territory Treasury Departments

FULL REPORT INCLUDES

- SNAPSHOT
- ECONOMIC BACKDROP
- MODELLING FRAMEWORK
- BUILDING INDUSTRY RECOVERY ON THE HORIZON
- SUMMARY
- SECTOR OUTLOOK
- STATE PROSPECTS

FORECASTS

- National Economic Forecasts
- Gross State Product Forecasts
- Building and Construction Work Done (constant price)
- Building and Construction Work Done by Sector - Australia
- Building and Construction Work Done by Sector – NSW
- Building and Construction Work Done by Sector – Vic
- Building and Construction Work Done by Sector – Qld
- Building and Construction Work Done by Sector – SA
- Building and Construction Work Done by Sector – WA
- Building and Construction Work Done by Sector – Tasmania
- Building and Construction Work Done by Sector – NT
- Building and Construction Work Done by Sector – ACT
- Dwelling Commencements by State by Sub-Sector

STATE SPECIFIC REPORT INCLUDES

- National Overview
- Modelling Framework
- Economic Backdrop
- State Prospects
- Forecasts – annual to 2015-16

- Building and Construction Work Done by Sector and Sub-sector: Total Building and Construction: Residential Building; Non-residential building; Engineering Construction
- Residential Building: Housing; Other Residential; Alterations & Additions
- Non-residential Building: Retail; Office; Other Commercial; Industrial; Education; Health and Aged care; Entertainment and Recreation; Accommodation; Miscellaneous
- Engineering Construction: Roads; Bridges, Rail & Harbour; Electricity and Pipelines; Water; Telecommunications; Heavy Industry; Recreation

AUSTRALIA WORK DONE 2012-13

