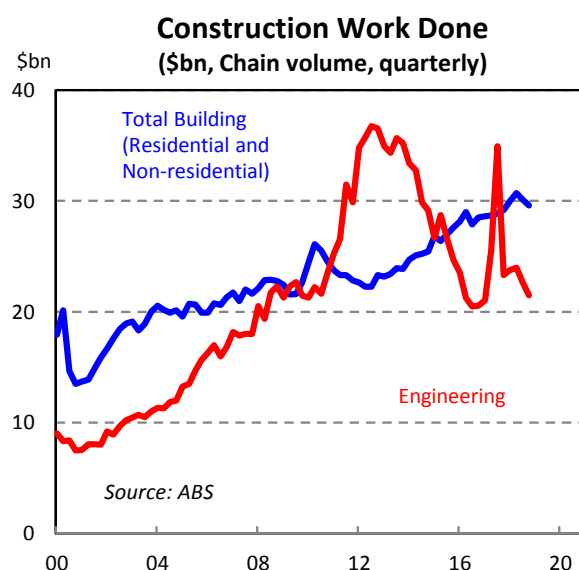
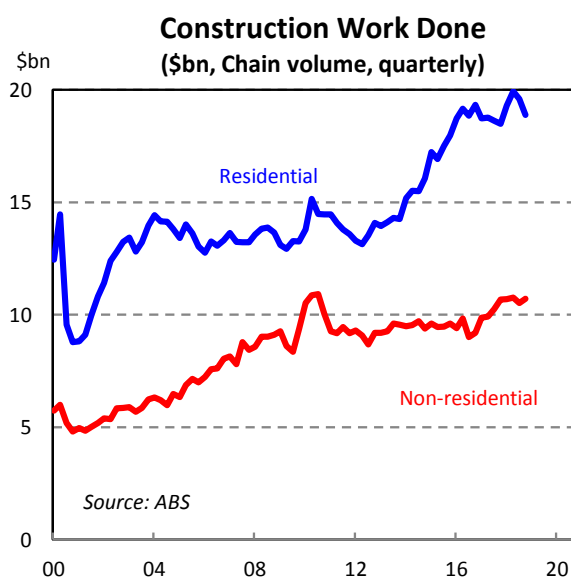


Wednesday, 27 February 2019



Construction Work Done A Weak Outcome

- Construction activity was weaker than expected in the December quarter, falling 3.1%, well below own and the consensus forecast for a small increase. Construction work done has decreased 2.6% over the past year.
- The quarterly decline was led by engineering construction, which fell 5.0%. That weakness in engineering construction was driven by a sharp decline in public infrastructure.
- The fall in public sector engineering construction is concerning and surprising given public infrastructure spending was an area which had been expected to support economic growth. It comes at a time when concerns about strength in other areas of the economy, including consumer spending remain elevated.
- Residential construction was weak, falling 3.6%, after a decline of 1.8% in the September quarter. The fall in residential construction was across both new residential construction and renovation work. The residential construction cycle has peaked and is now in a downturn. The extent of the decline is suggesting this downturn is accelerating.
- Non-residential building construction rose 1.9% in the December quarter, rebounding from a 2.3% decline in the September quarter.
- Today's data along with weak consumer spending suggests GDP growth for the December quarter is going to be weak.



Construction activity was weaker than expected in the December quarter, falling 3.1%, well below own and the consensus forecast for a small increase. This followed a decline of 3.6% in the previous quarter (previously reported as a smaller 2.8% decrease).

Construction work done has decreased 2.6% over the past year.

In the December quarter, the decline was led by engineering construction, which fell 5.0%, after declining 5.6% in the September quarter. That weakness in engineering construction in the quarter was driven by a sharp decline in public sector work (-10.3%), while private sector engineering construction fell by a smaller 1.3%. The fall in public sector engineering construction is concerning and surprising given public infrastructure spending was an area which had been expected to support economic growth. It comes at a time when concerns about strength in other areas of the economy, including consumer spending remain elevated. There remains a solid pipeline of public infrastructure spending which should provide a pillar of support for the economy.

For the year to the December quarter, engineering construction for the private sector fell 9.1%, while engineering for the public sector fell 5.8%, its first annual decline since the June quarter of 2015.

Residential construction was surprisingly weak in the December quarter, falling 3.6%, after a decline of 1.8% in the September quarter. Private sector new residential work also fell 3.6% in the December quarter. The weakness was across both new houses (-3.7%) and 'other' dwellings, including apartments (-3.3%). Private sector alterations and additions work fell 4.0% in the December quarter. A decrease in new residential work was not unexpected, although the fall points to a sharpening downturn in housing. Residential construction has peaked and is now in a downturn. For the year to the December quarter, residential construction is up 2.1%.

Non-residential building construction rose 1.9% in the December quarter, rebounding from a 2.3% decline in the September quarter. For the year to the December quarter, non-residential construction rose 0.4%.

States and Territories

By State the weakness was led by Queensland (-5.8%) and NSW (-4.1%), followed by Tasmania (-3.6%), Western Australia (-3.3%), the ACT (-3.0%), South Australia (-2.5%) and Victoria (-1.1%). Construction work in the Northern Territory remained weak, with a 14.2% decline in the December quarter.

The decline in Queensland was driven by a fall in building (-9.1%), the third consecutive fall. The decrease in NSW was led by a sharp drop in engineering construction (-9.7%), possibly reflecting bottlenecks or unusually wet weather in Sydney in the December quarter.

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