



# ECONOMIC UPDATE **SEPTEMBER 2019**

ONLINE VERSION



# CONTENTS

<b>Overview</b>	<b>1</b>
Positive Indicators	1
Negative Indicators	1
<b>Building and Construction Indicators</b>	<b>2</b>
Summary of ABS Indicators - South Australia	2
Analysis of ABS Construction Work Done June Quarter 2019, Cat. No. 8755.0. Australia	2
Analysis of ABS Building Approvals August 2019, Cat. No. 8731.0	4
Major Projects	5
Other commentary on Building and Construction Indicators	6
<b>Summary of Latest Forecasting Reports Available</b>	<b>9</b>
Master Builders Association (August 2019)	9
Australian Construction Industry Forum (May 2019): Australian Construction Market Report	11
<b>Employment and Unemployment Indicators</b>	<b>12</b>
ABS Construction Sector Employment Quarterly Data, August 2019 - analysis by CITB	12
ABS Labour Force - August 2019, Cat. No. 6202.0	13
Vacancy Report - August 2019, Australian Government of Employment, Skills, Small and Family Business	13
Other commentary on employment and unemployment indicators	13
<b>Population Estimates</b>	<b>15</b>
ABS Population Estimates - March Quarter 2019, Cat. No. 3101.0	15
<b>Commentary on General Economic Conditions (various analysis)</b>	<b>15</b>

Published 29 October 2019

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## Overview

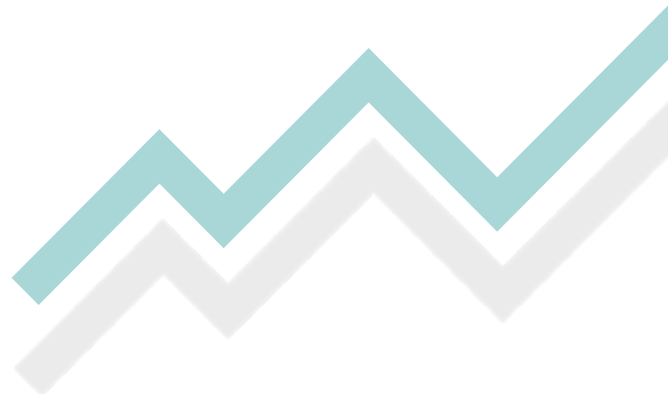
- There have been declines in all categories for construction work undertaken nationally and in South Australia.
- Nationally, the housing contraction is quite severe, however not as significantly in South Australia.
- Capacity constraints are a risk to the investment pipeline, especially in the Eastern States.

## Positive Indicators

- South Australia's population growth rate is increasing.
- Employment in South Australia's construction sector is at its highest level on record
- The decline in building approvals in South Australia over the past year has not been as severe as in other states.
- Although construction activity has eased over the past year, activity levels remain at a high level by recent standards.

## Negative Indicators

- South Australia's unemployment rate is the highest of all states and territories.
  - Construction work done across all sectors (housing, commercial and civil) continues to fall).
  - Business confidence is declining.
- 





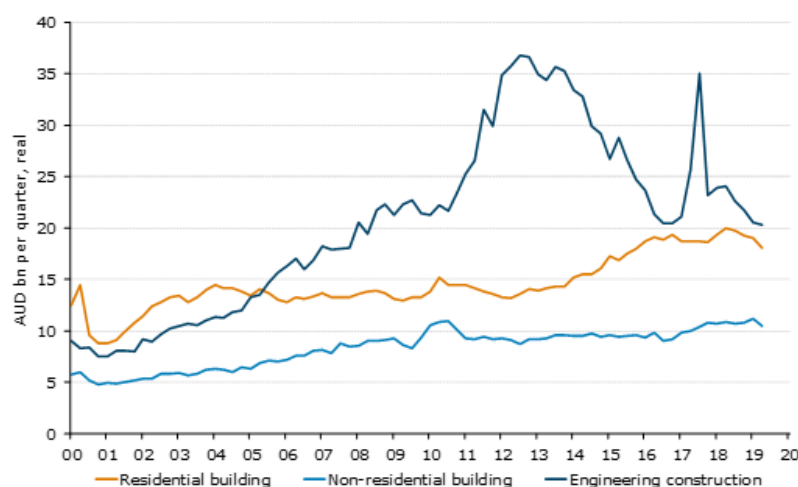
## BUILDING AND CONSTRUCTION INDICATORS

### Summary of ABS Indicators - South Australia

Monthly data (trend)	Latest Month	Compared to a year earlier
Dwelling approvals (August 2019)	893	-11.4%
• Private houses	619	-3.3%
• Private 'other' dwellings <sup>1</sup>	244	-33.0%
Non-residential building approvals	\$195.9m	-0.0%
Quarterly data	Latest Quarter	Compared to a year earlier
Dwelling commencements (Mar qtr 2019, seas. adj.)	2,447	34.2%
Construction work done (June qtr 2019, chain volume seas. adj.)	\$2.9b	-11.3%
• Residential	\$0.8b	-12.3%
• Non-Residential	\$0.6b	-5.1%
• Engineering	\$1.5b	-13.1%
Construction work in the pipeline (Mar qtr 2019, original)	\$7.4b	-24.3%
• Residential	\$2.7b	-8.0%
• Non-Residential	\$2.4b	-23.4%
• Engineering	\$2.3b	-37.7%

Source: ABS Building and Construction data.

### Analysis of ABS Construction Work Done - June Quarter 2019, Cat. No. 8755.0. Australia



Source: ABS, ANZ Research.

Taken from ANZ Research – 28 August 2019:

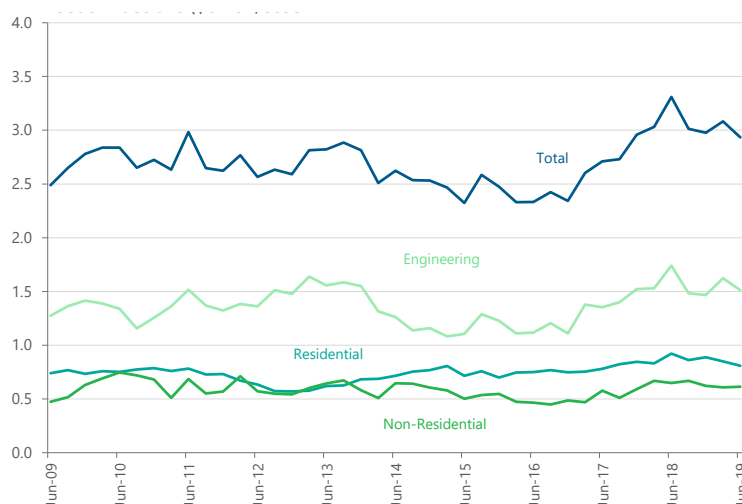
- Australian construction activity fell 3.8% quarter on quarter in the June quarter 2019. This was the fourth (and largest) quarterly contraction in a row with declines across all three categories.

<sup>1</sup> Other' dwellings includes semi-detached, town houses, units, and multi-storey apartments.



## South Australia

**Construction Work Done in the Quarter  
South Australia (\$billion, seas. adj.)**



Source: ABS

Quarterly data South Australia	Latest Quarter	Compared to previous quarter	Compared to a year earlier
Construction work done (Jun qtr 2019, chain vol. seas. adj.)	\$2.9b	-4.8%	-11.3%
Residential	\$0.8b	-4.8%	-12.3%
Non-Residential	\$0.6b	1.0%	-5.1%

Source: ABS

### Analysis by South Australian Centre for Economic Studies – Analysis of Construction Work Done data 4/9/19

- South Australian construction activity moderated in the June quarter 2019, continuing a general pattern of slow decline since activity peaked in the second quarter last year. Data released by the ABS show that total construction work done in real seasonally adjusted terms fell by 4.8 per cent in the June quarter and was 11 per cent lower than a year earlier. A similar pattern is evident at the national level, with construction activity down 3.8 per cent in the June quarter and down 11 per cent through the year.
- The fall in construction activity over the past year has been broadly based, led by large falls in engineering construction (down 13 per cent) and residential building (down 12 per cent), accompanied by a modest decline in non-residential building (down 5.1 per cent).
- Although construction activity has eased over the past year, activity levels remain at a high level by recent standards. The volume of work done in the June quarter 2019 was 10 per cent above the previous 5-year average level.

Chart and table prepared by CITB

- Declines are evident in all categories.





Monthly data (trend) South Australia	Latest Month	Compared to a year earlier
Dwelling approvals (August 2019)	893	-11.4%
Private houses	619	-3.3%
Private 'other' dwellings <sup>2</sup>	244	-33.0%
Non-residential building approvals	\$195.9m	0.0%

Source: ABS

## Analysis of ABS Building Approvals - August 2019, Cat. No. 8731.0

Analysis by CITB and reproduced from the Department of Treasury and Finance Economic Briefing series.

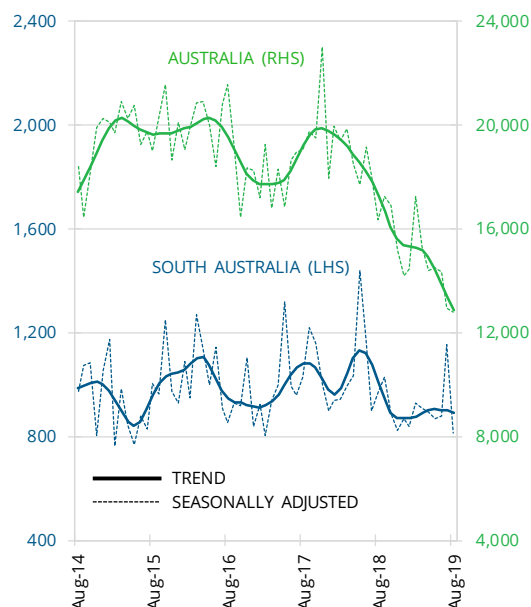
- The total number of dwelling approvals in South Australia in August 2019 was 11% lower than a year ago. Nationally, the number of dwelling approvals was 26% lower than a year ago.
- The number of private sector houses approved for construction in South Australia fell by 1.6% during August to be 3.3% lower than a year ago.
- Private 'other' dwelling approvals in South Australia remained unchanged during August but were 33% lower than a year earlier.

### Trend Dwelling Approvals by State

	Aug 19 (no.)	Aug 19 vs Jul 10 (% change)	Aug 19 vs Aug 18 (% change)
NSW	3,687	-5.4	-30.0
VIC	4,153	-4.0	-22.8
QLD	2,415	-2.3	-25.2
<b>SA</b>	<b>893</b>	<b>-0.9</b>	<b>-11.4</b>
WA	1,252	-0.2	-9.2
TAS	237	-0.4	-8.8
<b>AUS*</b>	<b>12,864</b>	<b>-3.9</b>	<b>-25.6</b>

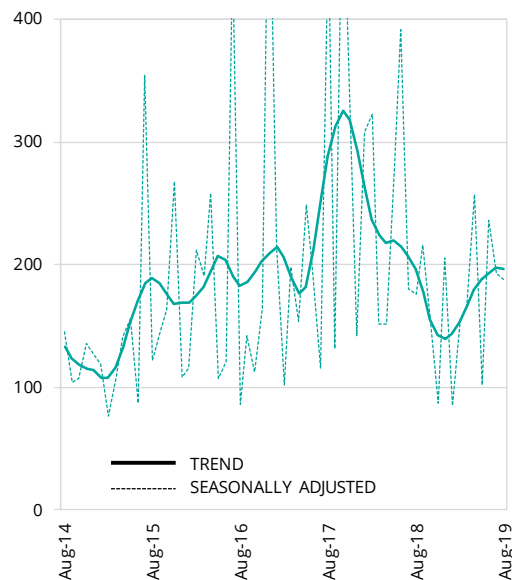
Source: ABS Cat. No. 8731.0

### Total Number of Dwelling Approvals Per Month



Source: ABS Cat. No. 8731.0

### South Australian Non-Residential Buildings Approved - \$M. Per Month

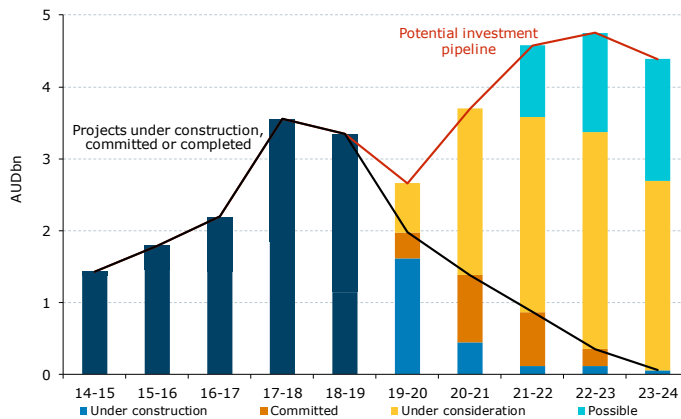


Source: ABS Cat. No. 8731.0

<sup>2</sup> Other' dwellings includes semi-detached, town houses, units, and multi-storey apartments.



## South Australia Major Projects



Source: ANZ Research

## Major Projects

### ANZ Research – Australian Major Projects September 2019 publication (national and state data)

- ANZ expects a lull in South Australian roads activity as sections of the North-South Corridor are completed but this should ramp up again from 2022-23 when the final two sections – touted as the state's biggest ever infrastructure project – get underway.
- Renewable energy is a key focus, with an estimated \$7 billion worth of projects under construction, committed or under consideration in South Australia. The state government plans to achieve net 100% renewable energy by 2030. A new \$1.8 billion Women's and Children's Hospital is also on the cards.

## Major Projects List South Australia

### Roads

Project	Value	Completion
North-South Corridor: Northern Connector and Darlington Interchange	1.5bn	2019-20
North-South Corridor: final two sections	5.1bn	2022-23

Source: ANZ Research

### Electrical

Project	Value	Completion
Ceres Wind Project	1.6bn	2020-21

Source: ANZ Research

### Hospital

Project	Value	Completion
Royal Adelaide Hospital: New Women and Children's Hospital	1.8bn	2020-21

Source: ANZ Research

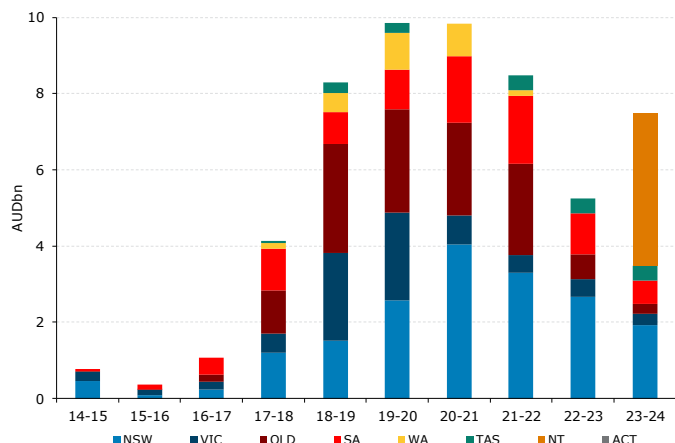
## Public Infrastructure

Company	Project	Cost (AUDbn)	Industry	Start	End
SA Department of Planning, Transport and Infrastructure	North-South Corridor: River Torrens to Anzac Highway	2.6	Road	2022-23	2027-28
SA Department of Planning, Transport and Infrastructure	North-South Corridor: River Torrens to Darlington	2.4	Road	2022-23	2027-28
SA Department for Health and Wellbeing	New Women's and Children's Hospital	1.8	Hospital	2020-21	2025-26

Source: ANZ Research



### Renewables investment, by state



Source: ANZ Research

### Renewable Energy Projects

- Much of the activity within the forecast horizon is concentrated in New South Wales – underpinned by the Snowy Hydro – but South Australia and Queensland also have particularly strong pipelines. Renewables projects inject economic activity into mainly regional and remote areas, unlike the capital city transport projects that make up the bulk of our Major Projects.

## Other Commentary on Building and Construction Indicators

### ANZ Research – Australian Major Projects September 2019 publication (national and state data)

- **Capacity constraints** are a material risk to the investment pipeline.
- The high levels of infrastructure investment over the past few years have coincided with reports of **rising costs and difficulty in sourcing labour and input materials**.
- Much of the evidence so far is anecdotal and it is difficult to find conclusive evidence of capacity constraints in the macro-level data for several reasons:
  - The contraction in residential construction since late-2018 has offset some of the impact of higher infrastructure activity.
  - The tightness in the labour market, despite the slowdown in economic growth, reduces the availability of suitable labour in general.
  - Downturns in construction capacity utilisation and profitability have largely coincided with deteriorations in the same measures for the wider business sector.
  - Reports of constraints have mainly come from Melbourne and Sydney, where the biggest projects are located.
- Tight labour markets are contributing to **difficulty in sourcing skilled labour**. Data from the Department of Employment, Skills, Small and Family Business' Survey of Employers who have Recently Advertised supports claims of growing difficulty sourcing skilled construction labour.
- In 2017-18, engineering occupations saw the poorest results in six years, with 59% of vacancies filled and an average of 2.3 suitable applicants per vacancy.
- For construction trades in 2018, only 44% of vacancies were filled and on average there was only one suitable applicant per vacancy, which is worse than at any time during the mining boom or residential construction boom.
- This tightness is not being reflected in the wage data. Construction industry wage growth (excluding bonuses) was just 1.9% year on year in quarter 2 2019, one of the slowest rates among the industries.
- With the unemployment rate at a relatively low 5.2%, reduced availability of labour is not confined to the construction sector.
- We have actually seen construction employment trend downwards nationally as residential activity contracts, but skills are not always transferrable between residential and infrastructure construction, particularly at higher skill levels. As such, the level of vacancies remains relatively high.
- Reports of capacity constraints appear to be on the rise. In early September 2019, the Victorian Premier, Daniel Andrews, and the Prime Minister, Scott Morrison, jointly announced a \$370 million cost blowout in Stage 2 of the Monash Freeway upgrade prior to major construction works commencing, with no changes to the scope or design. They cited labour shortages and material costs as the reasons.
- In a 2019 survey, Allens, an international commercial law firm, found that 43% of infrastructure leaders in Australia believed the industry's biggest concern was the inability to deliver the current project pipeline. They also considered tunnels and rail to be the highest risk projects. The survey identified the large volume of projects in Sydney and Melbourne as a contributing factor.
- There are several tunnelling projects underway or in planning at the same time. These require different equipment and skills from above-ground projects.
- In June 2019, The Age reported that Melbourne Metro's cost may have blown out by a further \$2 billion, in part due to geological issues.





- S&P has raised concerns about Australia's ability to deliver projects without delays or cost escalations. S&P also highlighted the risk of a domino effect if firms and subcontractors booked up with multiple projects face delays on even one project. Increased risks of delays and cost escalations pose a threat to profit margins which may discourage firms from bidding on projects.
- In a recent example, Acciona won \$576 million in compensation from the New South Wales Government over the CBD and South East Light Rail project, claiming that it was misled over its complexity.
- Local content requirements in Victoria also have supply and cost implications. For example, on the West Gate Tunnel, 92% of the estimated 110,000 tonnes of steel must be sourced from within Australia.
- Ultimately, without effective policy action, capacity constraints pose a material risk to both public and private delivery of necessary infrastructure.

#### **"Adelaide Brighton reports net loss, expects construction recovery in 2021" – InDaily 29 August 2019 report**

- CEO Nick Miller said in a statement to the ASX that the company is expecting residential construction to continue to decline in Australia until 2021, but demand for mining and infrastructure construction materials to pick up in the "near term".
- "Infrastructure spending is expected to remain high with a significant number of projects commencing or in planning for commencement," the company statement says.
- "This increased demand is expected to flow through to the business in 2020."

#### **"Construction hits recession territory in threat to national economy" – The Age 29 August 2019 (national data)**

- The national residential construction sector is facing its deepest contraction since the GST was introduced, dragging down the overall economy amid warnings that fast-tracking national infrastructure has now become urgent.
- The Australian Bureau of Statistics on Wednesday revealed overall construction across the economy fell by 5.8 per cent through the three months to June. Over the past 12 months, construction was down by 11.1 per cent.
- Residential construction dropped by 5.1 per cent in the quarter to be down 9.6 per cent over the past year - the worst annual performance for the key sector since the collapse associated with the introduction of the GST in 2000.
- Westpac senior economist Andrew Hanlan said with the construction sector accounting for 13 per cent of the economy, the sharp drop in activity through the June quarter would have a material impact on the national accounts.
- "The housing downturn still has further to go and will weigh on conditions throughout 2019 and into 2020," he said.

#### **"Australia's Biggest Home Builders Shrink" Taken from Sourceable**

Note: This is national data based on a recent HIA Report

- Australia's biggest home builders have seen **significant declines** in revenues and new home starts as the slowdown in new residential construction continues to bite, the latest research has found.
- In its Housing 100 report prepared in conjunction with Colourbond Steel, the Housing Industry Association said the number of dwellings on which the nation's 100 largest home building companies broke ground dropped from 74,565 in 2017/18 to 67,694 in 2018/19.
- Amongst the top ten home builders, six broke ground on fewer homes and apartments last financial year compared with the previous financial year.
- The slowdown in top 100 starts reflects a broader slowdown in the market for new home and apartment construction.
- The top 100 home builders actually grabbed a **larger slice of the pie**, taking their share of overall housing starts from 33 percent in 2017/18 to 35 percent in 2018/19.
- This means that **smaller builders** are incurring a disproportionately larger share of the current downturn in home building.
- In terms of rankings, Victorian home builder **Meticon** lead the pack in 2018/19 with 4,473 starts.
- This was followed by **Meriton Apartments** (3,288 starts), **ABN Group** (2,954 starts), **Dyldam Developments** (2,722 starts) and **Simonds Group** (2,580 starts).
- Meticon was also the largest detached house builder whilst Meriton was the largest multi-unit builder and **Philip Usher Constructions Pty Ltd** was the largest builder in semi-detached housing.
- Perhaps surprisingly, the report shows that larger builders are most dominant in the detached home market.
- All up, Housing 100 builders soaked up 57 percent of the market for detached dwellings – up from 54 percent in 2017/18 and 45 percent in 2016/17.
- By contrast, the largest 100 home builders' share of the semi-detached and multi-unit markets stood at just 16 percent and 27 percent respectively.



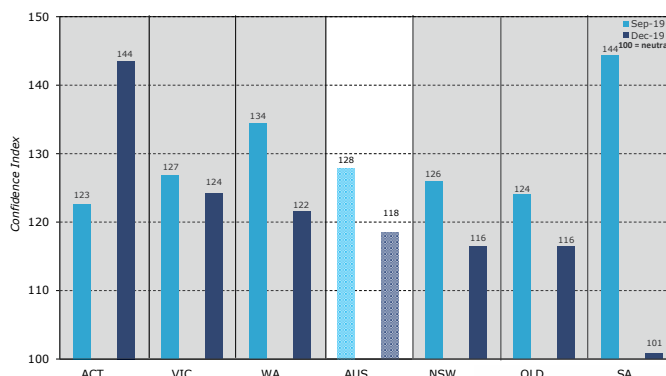
## ANZ/Property Council Survey – December Quarter 2019

- The ANZ-Property Council Survey for the December quarter shows a decline in sentiment in Australia's property sector nationally. The decline was driven by a fall in commercial property sentiment. Sentiment in the residential sector rose strongly for a second quarter.
- Signs of recovery in the residential property market have been emerging for some months now, with sentiment turning around convincingly in May. Since then auction clearance rates have picked up sharply, prices have been rising strongly now in Sydney and Melbourne for two months, and housing finance is starting to pick up. Interest rate cuts (both actual and anticipated), and regulatory easing have been key drivers of this turnaround.
- The improvement in residential confidence was concentrated in the eastern states, while confidence in South Australia and Western Australia fell.
- The decline in sentiment in the commercial property sector, while not sharp, continues the downward trend evident since mid-2018. Marked weakness in retail is clearly weighing on the overall commercial sector, while concerns over land tax reform appear to have dampened sentiment in South Australia.
- In South Australia sentiment was much weaker across all sectors (office, industrial, retail, tourism, retirement living), and on all metrics (construction, price expectations, forward orders, employment), with proposed reform of land taxes most likely impacting sentiment.
- Business confidence in South Australia is significantly lower today than it was following the 2016 statewide blackout.
- According to the ANZ/Property Council Survey, statewide confidence has decreased from 144 to 101 for the December quarter – the largest national quarterly decrease on record.
- This represents South Australia's lowest confidence level since 2012 and comes only 18 months after the Premier formed Government at the last State Election.
- South Australia's confidence levels have been nation-leading for the past six quarters, but following the recent State Budget, confidence has deteriorated by 43 points.
- South Australia's quarterly deterioration of 43 points was the largest drop on record behind SA's 20 point decrease in 2014 and Queensland's 17 point drop in 2014.

For South Australia:

- State economic growth expectations.** Worst result in nation, quarterly decrease of 45 points, worst result since March 2014.
- State Government performance index.** Second worst result on record (-27.4), worst result since March 2016 quarter (-27.7), quarterly decrease of 48 points.
- Forward work schedule expectations.** Second worst result on record (14.7), worst result since December 2011 quarter (13), quarterly decrease of 44 points, dropped from nation's best to worst in one quarter.

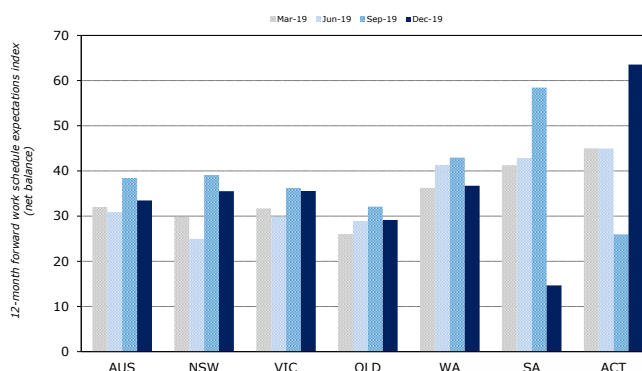
## ANZ/Property Council Survey - December 2019



Source: ANZ / Property Council Survey December 2019.

## Forward work schedule expectations

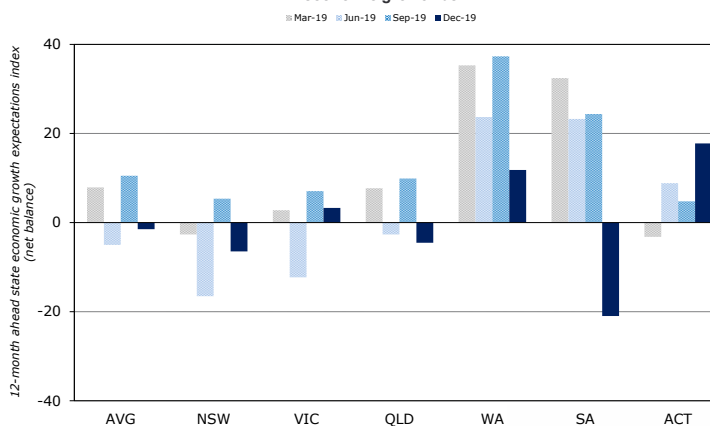
Over the next 12 months in the state you primarily operate, will your forward work schedule



Source: ANZ / Property Council Survey December 2019.

## State economic growth expectations

Over the next 12 months in the state you primarily operate, will economic growth be:



Source: ANZ / Property Council Survey December 2019.



## Summary of Latest Forecasting Reports Available

### Master Builders Association (MBA) South Australia - Building and Construction Industry Forecasts, August 2019

- The MBA forecasts are more pessimistic about all sectors of South Australian construction than other major forecasters.
- New housing commencements in South Australia peaked at **13,005** in 2017-18 and are forecast to trough at **8,202** in 2022-23.
- Over the year to March 2019, new home commencements in South Australia fell to 10,665 – a drop of some **19%** on the record peak high reached just a year earlier. Along with weak credit conditions, the local market is battling subdued house prices (down by 0.5%) over the year to June 2019 and weak rental price growth (+1.1%). These factors in particular have dampened investor demand in the state's housing market.
- For new home building, the most likely scenario is that activity will continue to **drift lower over the next few years**. New dwelling starts are projected to decline by **6.3%** to 9,945 during 2019-20 before bottoming out at 8,202 in 2022-23. A 2.4% rise in 2023/24 is anticipated to bring new home starts back up to 8,396 – although this volume of activity is still some **20.9% lower than in 2018-19**.
- While new home building is set to move lower over the next few years, the news is a little better for **home renovations** which are expected to creep slightly higher over the forecast horizon.
- South Australia's commercial building sector bottomed out in 2016 and has since rebounded sharply with the volume of work done over the year to March 2019 valued at \$2.55 billion, **an increase of 36.4% since the trough in the cycle**. Ultra-low interest rates and the acceleration of employment growth in the state can be thanked here, and the very short-term outlook appears favourable with a further gain of **9.5%** anticipated to take place in 2019-20. The bad news is that activity is likely to revert to trend after that with particularly large declines in the pipeline of work projected for 2020-21 (-13.1%) and 2021-22 (-16.0%).
- In terms of engineering construction in SA, the fruits of government infrastructure commitments are starting to show up on the ground with the volume of work done reaching \$6.35 billion over the year to March 2019 – **the highest in six years**, and up by 9.5% on a year earlier. However, as major transport infrastructure projects come to a conclusion the size of the SA engineering construction sector is likely to shrink back to size with a decline of **0.4%** during 2019/20 and a further drop of **3.3%** in 2020/21.

### Residential Building Work Done By Sector - South Australia

\$M, chain volume measures, constant 2016/17 prices - Year Ended June

	%ch	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Residential Building		3,014	3,104	2,764	2,341	2,712	3,046	2,955	3,051	3,419	3,389	3,045	2,826	2,649	2,588	2,620
		-0.8%	3.0%	-11.0%	-15.3%	15.8%	12.3%	-3.0%	3.2%	12.1%	-0.9%	-10.2%	-7.2%	-6.3%	-2.3%	1.3%
Houses		2,011	2,072	1,744	1,569	1,766	2,001	1,883	1,957	2,095	2,042	1,901	1,759	1,635	1,589	1,616
		0.4%	3.0%	-15.8%	-10.0%	12.5%	13.3%	-5.9%	3.9%	7.1%	-2.5%	-6.9%	-7.5%	-7.1%	-2.8%	1.7%
Other Dwellings		560	574	556	363	504	594	633	657	884	894	690	613	561	543	546
		-1.3%	2.4%	-3.1%	-34.6%	38.6%	17.9%	6.5%	3.8%	34.6%	1.1%	-22.8%	-11.1%	-8.5%	-3.2%	0.6%
Alterations & Additions		444	460	466	408	442	450	440	437	440	453	453	453	453	456	458
		-5.3%	3.6%	1.2%	-12.4%	8.2%	1.9%	-2.3%	-0.6%	0.6%	3.1%	0.0%	0.0%	0.0%	0.5%	0.5%

Source: MBA SA

### Number of Dwelling Commencements By Sector - South Australia

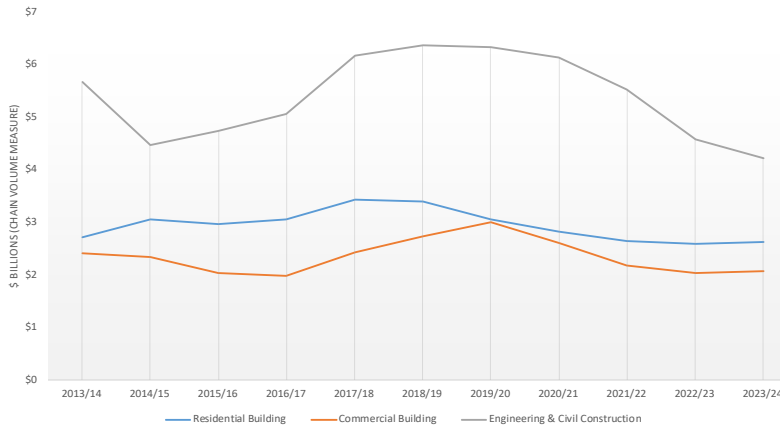
Year Ended June

	%ch	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Residential Building		12,314	10,967	9,148	8,992	11,153	10,628	11,279	10,834	13,005	10,618	9,945	8,937	8,304	8,202	8,396
		1.4%	-10.9%	-16.6%	-1.7%	24.0%	-4.7%	6.1%	-3.9%	20.0%	-18.4%	-6.3%	-10.1%	-7.1%	-1.2%	2.4%
Houses		9,681	8,258	6,939	6,529	8,307	7,780	7,687	7,656	8,204	7,465	7,067	6,435	5,993	5,920	6,050
		3.7%	-14.7%	-16.0%	-5.9%	27.2%	-6.3%	-1.2%	-0.4%	7.2%	-9.0%	-5.3%	-8.9%	-6.9%	-1.2%	2.2%
Other Dwellings		2,633	2,709	2,209	2,463	2,846	2,848	3,592	3,178	4,801	3,153	2,878	2,502	2,311	2,282	2,346
		-6.3%	2.9%	-18.5%	11.5%	15.6%	0.1%	26.1%	-11.5%	51.1%	-34.3%	-8.7%	-13.1%	-7.6%	-1.3%	2.8%

Source: MBA SA

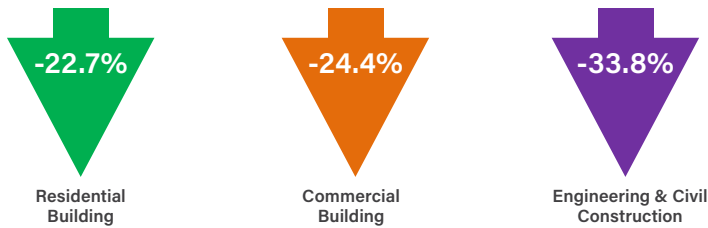


### MBA Forecasts of Construction Activity by Sector to 2023/24 (\$bn, constant prices)



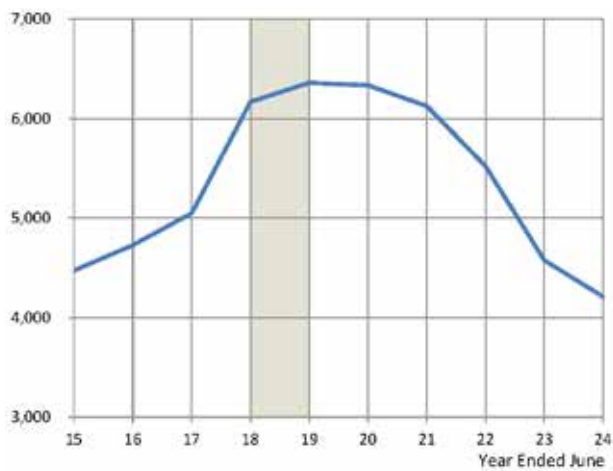
Source: MBA SA

### MBA Forecast Change in Activity: 2023/24 v 2018/19



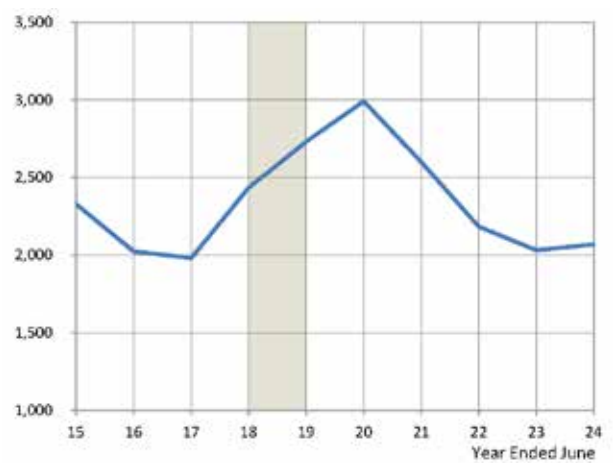
Source: MBA SA

### SA Engineering Construction Work Done 2017/18



Source: MBA SA

### SA Non-Residential Building Work Done 2017/18



Source: MBA SA



#### **Australian Construction Industry Forum (May 2019): Australian Construction Market Report**

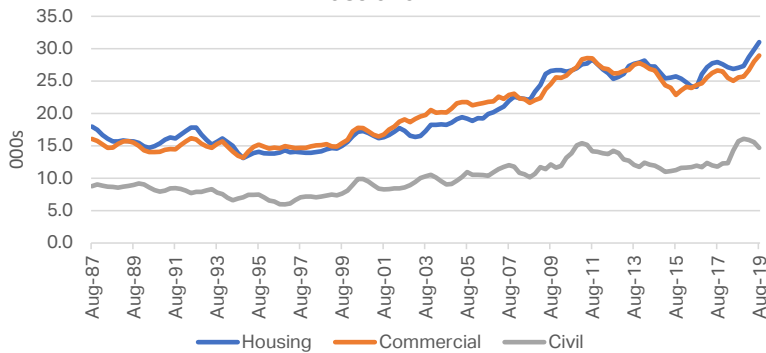
- Australia's pipeline of approved construction projects continues to grow, but a lower proportion of projects are moving to the construction stage
- The value of new projects added to the construction pipeline hit a historic high of \$35 billion in February 2019 before dropping to just \$9.5 billion in March, which is approximately 75% of the five-year median value of new projects and considered very low. All sectors recorded lower numbers except mining which recorded a 58% increase at the national level.
- Projects transitioning from 'approved' into the construction phase have been subdued since September 2018 with results showing projects entering the build stage currently sitting at approximately 50% of the five-year median in terms of both number and value.
- Large projects are likely facing challenges obtaining finance, especially in the residential multi-unit sector.
- While activity across the major projects sector eases, the cost of building residential housing has continued to trend higher, albeit not quite as rapidly as previous years.
- CoreLogic's Cost of Construction Index which tracks the rate of change in residential construction costs indicates the divergence between the National CHIP index and growth in CPI that has been entrenched since 2003, may be starting to ease. Heavy sustained investment in infrastructure projects for NSW and VIC continue to put upwards pressure on construction costs while WA and SA both show a decrease in the cost of residential construction.





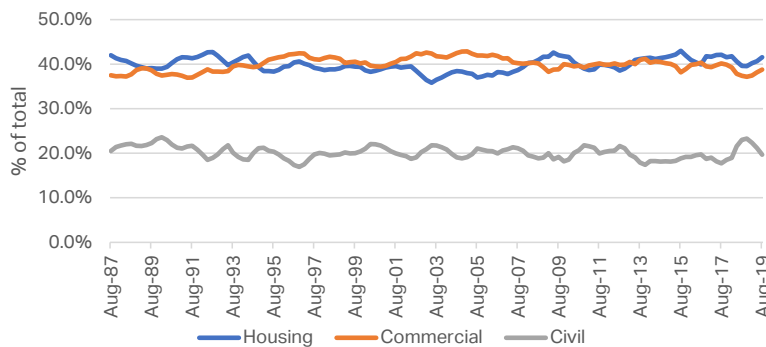
## EMPLOYMENT AND UNEMPLOYMENT INDICATORS

**Workforce Splits Construction Industry, South Australia**



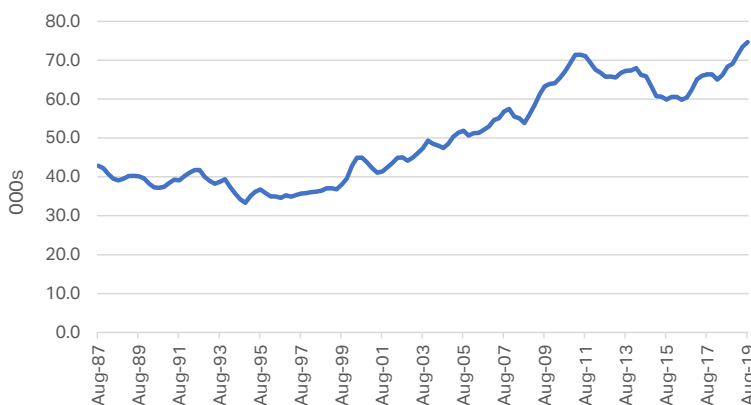
Source: ABS

**Share of Total Construction Employment, South Australia**



Source: ABS

**Total Employment - Construction, South Australia**



Source: ABS

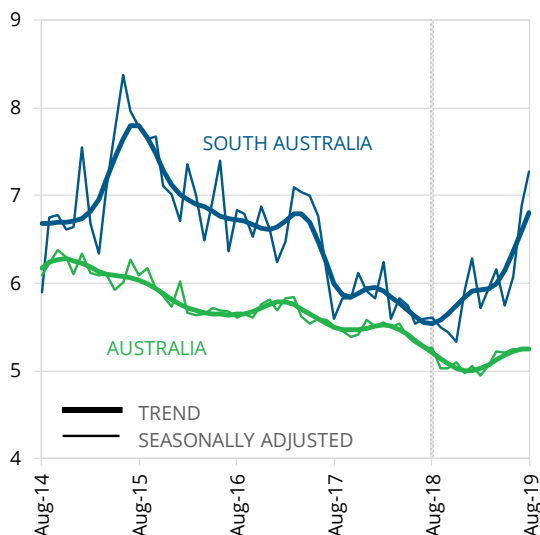
### ABS Construction Sector Employment - Quarterly Data, August 2019 - analysis by CITB

- The construction sector has swapped places with manufacturing to become the 3rd largest employ in South Australia with employment reaching a record high in 2018-19. The ABS data shows the sector employing 74,700 people in our state in the year to August quarter 2019.
- On a 5-year comparison, year to August 2019 compared to year to August 2014, total employment grew by 8,800 or 13.4%. The largest contributors to this growth were Building Completion Services and Residential Building Construction (both +3,800), Heavy and Civil Engineering Construction (+2,300).



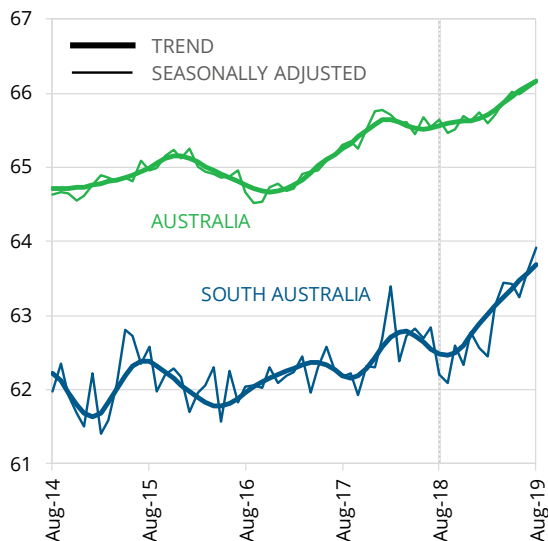


Unemployment Rates (%)



Source: Charts reproduced from Department of Treasury and Finance.

Labour Force Participation Rates (%)



Source: Charts reproduced from Department of Treasury and Finance.

## ABS Labour Force - August 2019, Cat. No. 6202.0

### Analysis and charts from Department of Treasury and Finance, Economic Briefing.

- During August, the unemployment rate: was 6.8% in South Australia in trend terms (5.3% nationally); and was 7.3% in South Australia in seasonally adjusted terms (5.3% nationally).
- Annual trend employment growth was 1.5% for South Australia and 2.5% nationally.
- In trend terms, the unemployment rate in South Australia rose from 6.6% in July to 6.8% in August. Nationally, the unemployment rate rose from 5.2% in July to 5.3% in August.

### Other commentary on employment and unemployment indicators

#### "Unemployment Rises Further – Data Wrap", South Australian Centre for Economic Studies 20 September

- South Australian unemployment rate confirmed as highest in the nation.
- South Australia's trend unemployment rate rose by 0.2 percentage points to 6.8 per cent in August 2019, according to ABS Labour Force Survey data. In comparison, the national unemployment rate rose by 0.1 percentage points to 5.3 per cent.
- South Australia's trend unemployment rate in August was the highest of any state and territory. The other states with relatively high unemployment rates were Tasmania (6.6 per cent) and Queensland (6.4 per cent).
- The recent increase in South Australia's unemployment rate has been primarily driven by **more people looking for work** rather a deterioration in employment, and this pattern continued in August. The trend participation rate rose by 0.1 percentage points to 63.7 per cent in August, its **highest level since February 2009**.



- However, a slowdown in the rate of employment growth has also placed upward pressure on the unemployment rate. In the three months to August 2019 **total employment barely rose**, whereas in the three months to May 2019 it rose by 0.5 per cent. Hence the current rate of job creation is not enough to keep pace with population growth.
- A notable feature of South Australia's recent labour market performance is that females have fared much better than males. This trend persisted in August, with total male employment falling by 1,200 persons, whereas total female employment rose by 1,400 persons. The male unemployment rate rose to 7.5 per cent, to be well above the female unemployment rate of 6.0 per cent, which also rose slightly.
- Despite the recent rise in unemployment for South Australia there are some positives beyond the marked improvement in labour force participation. Total employment rose solidly over the past year despite the recent slowdown in job formation (up 1.5 per cent), while gains in full-time employment over this period (up 1.5 per cent) have also been retained. The employment-to-population ratio (59.4 per cent) also remains near its more than six year high.

#### **"Construction jobless hits high, as the downturn bites"**

Article Published in New Daily, 26 September

Note: This is national ABS data. Underemployment is the measure of how many of those working in a sector would like to have more work.

- Underemployment in construction is **close to hitting an all-time high nationally**, as the sector shows further signs of the impact of the nation's economic slowdown.
- Data released by the Australian Bureau of Statistics found underemployment in the construction sector has hit 81,100 workers – or **6.9 per cent of the workforce**.
- The figure is among the highest underemployment in construction since the ABS began collecting the data – only twice since 1991 has underemployment in construction been

greater than it is today.

- The data is another symptom of the fallout from a consistent slide in dwelling approvals, which have seen dramatic falls in the 2018 and 2019 financial years.
- Approvals apartment and house approvals nationally have slumped 47.3 per cent and 11.7 per cent respectively over the past two years.
- The news also came as ASIC released data showing the downturn was sparking the failure of many more businesses, with 556 construction companies going bust in 2018-19 in NSW – 101 more than in 2017-18.
- Jobs vacancy data, backed up the bad news for the construction sector showing a 1.3 per cent decline in new job listings over the past quarter, suggesting the growth in jobs generally was also slowing.
- The high rate of underemployment suggests businesses were *"trying to keep on good workers but are doing that by reducing hours"*, according to the article.
- Callum Pickering (from Indeed) said the widely expected employment windfall of major infrastructure projects, to pick up the slack from falling residential construction, wasn't coming true.
- *"What we're seeing here is that a lot of these big infrastructure projects are capital-intensive but not labour-intensive – residential construction is labour-intensive," he said.*
- Steve Jovcevski, Mozo's property expert and a property developer in Sydney, told The New Daily things weren't looking good for construction, but that wasn't unexpected. *"We were building so many apartments in Sydney and Melbourne it was getting to an area of oversupply," he said. "The industry is in holding mode. If things do pick up, then all well and good, but if they don't, they'll look at sacking staff."*

IVI - August 2019	Index (Jan '06 = 100)	Monthly % change	Yearly % change	Number of job advertisements
New South Wales	80.7	-0.7	-12.1	59,100
Victoria	91.4	-0.2	-7.4	46,000
Queensland	63.7	0.2	-2.5	31,600
South Australia	59.4	0.6	3.0	7,800
Western Australia	88.7	0.7	1.6	16,300
Tasmania	67.8	1.1	11.3	2,000
Northern Territory	72.1	0.6	-4.3	1,800
Australian Capital Territory	181.9	0.9	11.9	5,900
Australia	79.7	-0.1	-6.0	170,500

#### **Vacancy Report - August 2019, Australian Government Department of Employment, Skills, Small and Family Business**

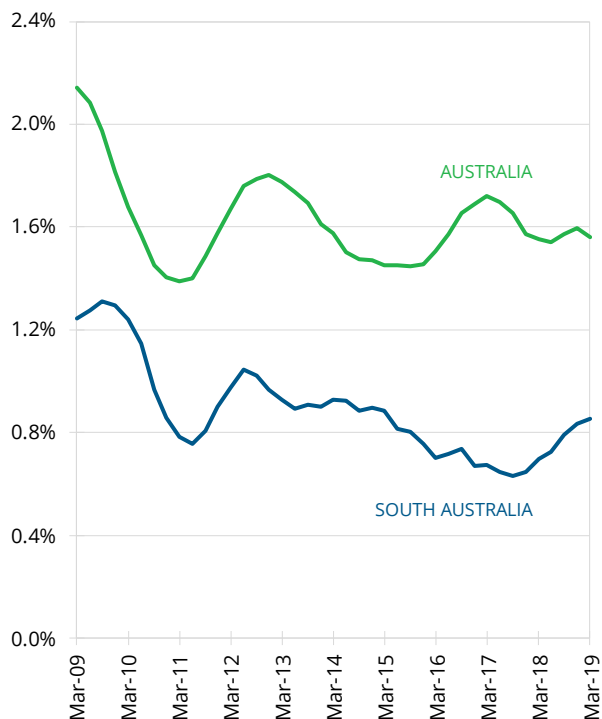
- Over the year to August 2019, job advertisements decreased in three states and the Northern Territory. New South Wales recorded the strongest decline (down by 12.1%), followed by Victoria (7.4%) and the Northern Territory (4.3%). By contrast, the strongest rises in job advertisements were recorded in the ACT (up by 11.9%) and Tasmania (11.3%).

Source: Department of Employment, Skills, Small and Family Business, Vacancy Report 2019.



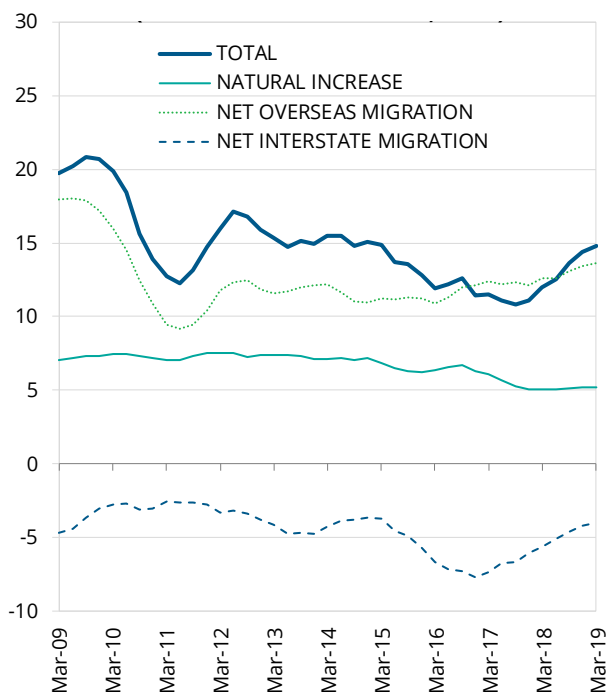
## POPULATION ESTIMATES

Annual Population Growth



Source: ABS

Components of South Australian Population Change  
(Moving Annual Totals, '000s)



Source: ABS

### ABS Population Estimates - March Quarter 2019, Cat. No. 3101.0

Analysis and Charts from Department of Treasury and Finance, Economic Briefing.

- During the year to March 2019, South Australia's Estimated Resident Population (ERP) increased 0.9% (or 14,800 persons) to 1,748,630 people.
- Nationally, the ERP increased 1.6% to 25,287,400 people.

	Mar 19 ( <sup>'000</sup> )	Mar 19 vs Mar 18 ( <sup>'000</sup> )	Mar 19 vs Mar 18 %
NSW	8,071.1	114.1	1.4
VIC	6,566.2	133.5	2.1
QLD	5,076.5	88.1	1.8
<b>SA</b>	<b>1,748.6</b>	<b>14.8</b>	<b>0.9</b>
WA	2,615.8	26.0	1.0
TAS	533.3	6.4	1.2
NT	245.6	-1.1	-0.4
ACT	425.7	6.9	1.7
<b>AUS*</b>	<b>25,287.4</b>	<b>388.8</b>	<b>1.6</b>

\*Includes Christmas Island, the Cocos Islands and Jervis Bay.

### Commentary on General Economic Conditions (various analysis)

ABS National Accounts – June Quarter 2019, Cat. No. 5206.0: Analysis from Department of Treasury and Finance, Economic Briefing and other analyses.

- The figures show the worst annual economic growth for 18 years nationally.
- ABS data shows the national economy grew by 0.5% in the June quarter in seasonally adjusted terms and 0.4% in trend terms. Through the year the growth was 1.4% seasonally adjusted and 1.5% in trend terms.
- Nationally, government consumption rose by 2.7% in the June quarter and household consumption spending rose by 0.4%. Recording falls in the quarter were: dwelling investment (down 4.4%); public investment (down 2.3%); and new business investment (down 0.4%).
- South Australia's state final demand contracted by 0.2 per cent in seasonally adjusted terms, with only the Northern Territory recording a worse performance.
- In real trend terms, South Australian State Final Demand was unchanged in the quarter but was 0.8% higher than a year earlier.
- The ABS said South Australia's state final demand performance included weakness in non-dwelling construction (down – 6.6 per cent), which was driven by falls in energy-related projects.



#### Expenditure Components of SFD/DFD and GDP - Real, Seasonally adjusted

	Jun qtr 19 vs Mar qtr 19 (% change)		Jun qtr 19 vs Jun qtr 18 (% change)	
	SA	AUS	SA	AUS
Household Consumption	0.3	0.4	0.7	1.4
Government Consumption	0.7	2.7	4.4	6.2
New Business Investment	-2.2	-0.4	-3.7	-1.6
Dwelling Investment	1.2	-4.4	-4.9	-9.1
Ownership Transfer Costs	3.0	4.3	-3.6	-19.6
Public Investment	-4.1	-2.3	-6.7	0.7
<b>SFD/DFD</b>	<b>-0.2</b>	<b>0.3</b>	<b>0.4</b>	<b>1.0</b>
Exports*	np	1.4	np	2.9
Imports*	np	-1.3	np	-2.8
<b>GDP</b>	<b>np</b>	<b>0.5</b>	<b>np</b>	<b>1.4</b>

Source: ABS

\*National trade data is for goods and services.

#### "Economic "stagnation" fears as SA business confidence slumps" – Article in InDaily, Wednesday 25 September

- Business confidence in South Australia has crashed to its **lowest level in years** amid concerns that the economy is stagnating, the latest BDO SA State Business Survey reveals.
- Of the business leaders surveyed, 20 per cent said they viewed the economy as improving, down from 56 per cent last year.
- It's the lowest figure since 2015, when just one per cent of those surveyed believed the economy was improving and 78 per cent believed it was going backwards.
- More than half of those surveyed – 57 per cent – reported that they believed the economy is stagnating. The remaining 23 per cent said they felt the economy was going backwards.
- Land tax changes were announced in the State Budget in June, with the business survey taken in August. The BDO report stresses that the survey was taken before the Government announced recent changes to its land tax policy.
- Asked whether "the recent changes to land tax rates and aggregation are fairer", 49 per cent of respondents chose "no".
- Businesses surveyed last year were more optimistic about their prospects in 2019 than the reality of the past year reflected.

#### [ANZ Research Quarterly – ANZ Research Issue 37, Q4 2019 \(National Commentary\)](#)

Economic growth nationally is **set to pick up** in the second half of 2019, with the low point likely to have been the second quarter of 2019. Stimulus from interest rate cuts (both actual and forecast) and tax cuts will be a key driver of the pick-up.

- Without this stimulus, the growth outlook would be

considerably lower. ANZ's forecasts are broadly unchanged since June, although they incorporate a further two rates cuts so the underlying story is actually weaker.

- There remains a high degree of **uncertainty** around the outlook, given both global and domestic risks. In recent months, the weakness in the economy has become more broad-based and the strength more concentrated.
- The household sector is under pressure, with low income growth, high debt and the earlier decline in home prices weighing on consumption.
- Housing construction is **now falling sharply**. Business investment is also lower than it was a year ago.
- In such an environment, the public sector and net exports have played a key role in propping up economic growth. Public sector spending has contributed a massive 1.3 percentage points to growth over the past year. The household sector remains the key to the outlook.
- Tax cuts will help in the short term, but the underlying pace of consumption is soft.
- Policy easing will also support a turn in the housing construction cycle, although this is **unlikely until mid-2020**. Approvals have fallen sharply over the past year and construction is likely to follow suit, at least until the end of 2019.
- However, the combination of APRA easing, and rate cuts has turned sentiment around sharply in the sector: auction clearance rates in Sydney and Melbourne are now at levels consistent with 15–20% annual price gains. This strength will eventually feed through into construction, and housing finance data is showing early signs of this. ANZ expects activity to turn higher in the second half of 2020.
- ANZ remains cautious about the outlook for business investment. While mining investment has improved and looks set to grow solidly over the next couple of years with a number of large projects under construction or in the pipeline, the non-mining investment outlook is much less certain, given an uncertain global backdrop and weak growth in non-mining profits.
- Public spending looks set to continue, providing a solid offset to the weakness in the private sector, but the contribution to growth is likely to have peaked.
- The infrastructure pipeline looks set to shrink through to 2019-20, and already public investment has turned lower. Public consumption growth should also slow from the 6%+ pace in 2018-19 as growth in NDIS spending slows as the program moves closer to full coverage.
- While ANZ's outlook for growth is broadly unchanged, the sharper-than-expected slowdown to date is already feeding through to the labour market. A suite of labour market indicators has softened markedly.
- The ANZ Labour Market Indicator suggests that employment growth nationally is set to slow sharply over coming months. This slowdown is likely to drive the unemployment rate higher from here, with a peak of 5.4% expected in the fourth quarter of 2019.
- In 2020, ANZ anticipate that improving growth will support a stronger labour market and help to drive the unemployment rate back down, although it only sees quite modest improvement in 2020.



- Domestically, the key risk is around how consumers respond to the tax cuts. While ANZ expects the bulk of the tax refunds to be spent, there is a possibility that a higher proportion is saved or used to pay down debt.
- Another risk is the housing sector. The housing market has responded much more positively than expected to lower interest rates and easier credit availability. If the current strength is sustained, this could help boost consumption and possibly see a stronger rebound in housing construction. It would also pose a challenge for policy makers, raising the risk of an early return to macro-prudential policies.

#### **ABS Retail Trade Data – August 2019, ABS Cat. No. 8501.0**

- During August, nominal retail turnover was unchanged in South Australia in trend terms. Nationally, nominal retail turnover rose 0.1%.
- Compared with a year earlier, nominal retail turnover was 1.9% higher in South Australia and 2.3% higher nationally.





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