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### **Construction sector awaits infrastructure lift**

The latest Australian Industry Group/Australian Constructors Association Construction Outlook survey has forecast a fall in total non-residential building work in 2014/15 and 2015/16 as well as a fall in employment in the sector as resource-related project activity winds down from its recent historically high levels.

The survey of the nation's leading construction companies released today suggests a marked weakening over the next couple of years in both mining and heavy industrial construction as mines and ports, roads and rail projects linked to mining are completed and as the surge in the construction of gas processing plants passes.

Nevertheless, there are a number of growth areas expected to support overall levels of activity through to the end of the 2015/16 year. These include continued growth in telecommunications investment, an upturn in the commercial construction sector and further growth in apartment building. Also, if realised, Federal and State Government infrastructure plans (particularly for road and rail) will partially fill the void left by reduced mining-related construction.

Australian Industry Group Chief Executive, Innes Willox, said: "The latest Construction Outlook shows that trends set in train over the past year or so have become well established. While areas of strength are taking up some of the slack, we also need an acceleration of state-based infrastructure projects. These projects could take advantage of the capacity being released from mining-related activity, help build national productivity and improve the amenity of our cities and regions," Mr Willox said.

Australian Constructors Association (ACA) Executive Director, Lindsay Le Compte, said: "The survey outcomes reinforce the need for governments to get on with undertaking announced infrastructure projects. They should not be diverted by the impact of the forthcoming electoral cycle, especially as the pipeline of projects will provide very significant employment and economic benefits across many communities and the supply chain in general over coming years. There are billions of dollars available for infrastructure funding from a range of sources, particularly from superannuation funds, so governments are now in a position to proceed expeditiously with projects while maintaining a strong focus on providing essential community services," Mr Le Compte said.

### **Key Points from the Ai Group / ACA Construction Outlook survey:**

- **The total value of engineering and commercial construction** work is expected to fall by 3.9% in 2014/15 (current dollars), followed by a slower decline of 1.2% in 2015/16 (This compares with growth of 3.0% in 2013/14 (current prices)).
- **Total employment** is forecast to turn down through the year to June 2015 in response to weaker resource-related construction and the completion of various major projects. Total employment is forecast to fall by 1.7% between July and December 2014 and thereafter remain steady for the first half of 2015.
- **Engineering construction** is expected to experience falls of 7.5% in 2014/15, and 3.4% in 2015/16.
- Encouragingly, the **commercial construction sector** is forecast to recover, expanding by a solid 6.1% in 2014/15 and consolidating with a further gain of 3.2% in 2015/16. This largely reflects sustained growth forecast over both years in private building activity (including offices, retail premises and recreation building).
- The **apartment building sector** is set to maintain solid growth, with a forecast rise of 11.1% in 2014/15 after lifting by 16.4% in 2013/14. The sector's pace of growth is expected to moderate to a 6.3% rate in 2015/16.

**Link to full report:**    <http://www.aigroup.com.au/constructionoutlook>

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**Background:** The Australian Industry Group – Australian Constructors Association Construction Outlook survey was conducted in August/September 2014 in association with the Australian Constructors Association, the peak industry body representing the nation's major construction contractors. The survey covered the responses of 100 companies employing approximately 70,000 persons with combined turnover of \$25 billion.

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