



20 May 2015

DECLINE IN MAJOR CONSTRUCTION TO CONTINUE INTO 2016

The latest Ai Group/Australian Constructors Association Construction Outlook survey has forecast continued declines in engineering and non-residential building activity in 2015 and 2016. This is largely on the back of further falls in mining-related construction and patchy conditions across key infrastructure project categories.

Commercial construction is expected to remain subdued reflecting on-going weakness in the sector's project pipeline.

Australian Industry Group Chief Executive, Innes Willox, said: "Despite the obvious mining-related challenges the survey does identify a number of bright spots. Revenue from road and rail projects is expected to pick-up solidly in 2016 in line with Federal and State Government plans for a number of major transport projects. The outlook is also positive for multi-level apartment building developments while telecommunications work is expected to be broadly sustained at current levels of activity over the next two years," Mr Willox said.

Australian Constructors Association (ACA) Executive Director, Lindsay Le Compte, said: "The winding down in mining-related construction will be the major drag on activity, although notable falls are also expected in the heavy industrial resource based sectors. This includes oil and gas processing which is expected to experience a marked downturn in 2016. Commercial construction is expected to remain constrained by the continuation of subdued overall approvals in this sector. However, if governments are able to resolve current constraints on the funding and financing of infrastructure projects it could be expected that from 2016 we would see the commencement of a significant lift in engineering, commercial and residential activity, especially surrounding transport corridors in metropolitan areas," Mr Le Compte said.

Key Findings:

- The **value of turnover** from major construction work is expected to decline at a rate of 4.3% in calendar year 2015 followed by a further fall of 1.7% in 2016. This follows a fall of 3.6% in 2014.
- The **total value of commercial construction** work is expected to increase by just 1.3% in 2015 and 1.5% in 2016, following flat conditions in 2014.
- **Engineering** construction is forecast to decline by 7.6% in 2015 and a further 3.6% in 2016. The winding down in mining-related construction will be the major drag on activity. There is also expected to be notable declines in heavy industrial projects such as oil and gas processing which is set to peak in 2015 before experiencing a marked downturn in 2016.
- **Employment** in non-residential construction is forecast to decline for the remainder of 2015, concentrated on employees principally engaged on-site (-2.6%) and sub-contract tradesmen(-1.0%). Non-residential construction employment is expected to then recover somewhat in 2016.
- For **multi-level apartment developments**, solid growth in turnover of 14.5% is expected in 2015 followed by a 4.1% rise in 2016. This reflects strong growth in apartment building approvals in recent months in Sydney, Melbourne and many other locations around Australia.

Full report: <http://pdf.aigroup.asn.au/events/2015/construction%20outlook%20May%20Final.pdf>

The Australian Industry Group Construction Outlook survey was conducted in February/ March in conjunction with the Australian Constructors Association (ACA), the peak industry body representing the nation's major construction contractors. The survey covered the responses of 100 companies employing approximately 55,000 persons with combined turnover of almost \$25 billion.

Media enquiries: Tony Melville (Ai Group) 0419 190 347 Lindsay Le Compte (ACA) 0417 481 500