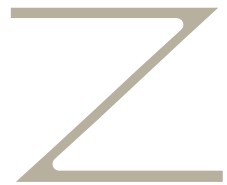


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ACT Building Sector

The current state of the market



Prepared for

Select Committee on Estimates 2012-2013

ACT Legislative Assembly



*Centre for International Economics
Canberra & Sydney*



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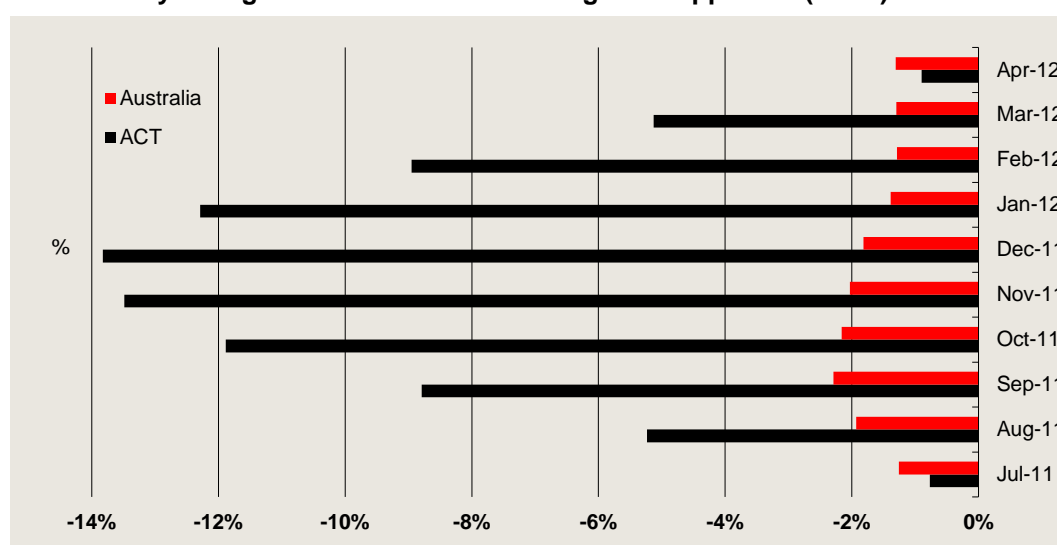
Key points

- The ACT, consistent with nationwide trends, is experiencing a softening building sector based on recent month-on-month and year-to-date measures of both the volume and value of total dwelling approvals.
- The magnitude of the fall is larger in the ACT than nationally for most of the 12 months to April 2012. Compared to all other jurisdictions, the ACT has suffered the largest percentage annual decline in the value of dwelling approvals between 2011 and 2012. It has also suffered the largest percentage annual decline in the value of non-residential approvals from 2011 to 2012.
- The decline in the value of dwelling approvals over the past year has been particularly driven by the fall in non-residential approvals, which have fallen more significantly than total dwelling approvals. Expectations for non-residential building activity over the next 12 months in the ACT are also weak.

The ACT building sector is trending downwards and has been soft in both volume and value terms

Chart 1 below shows the volume of dwelling unit approvals month on month for the 12 months to April 2012 for the ACT and Australia. It shows that the ACT, consistent with nationwide trends, has experienced a softening building sector with reductions month on month in the number of dwelling units approved over this period. The magnitude of these month on month reductions experienced by the ACT in percentage terms has also been higher than for Australia as a whole over the August 2011 to March 2012 period.

1 Monthly change in the volume of dwelling units approved (trend)

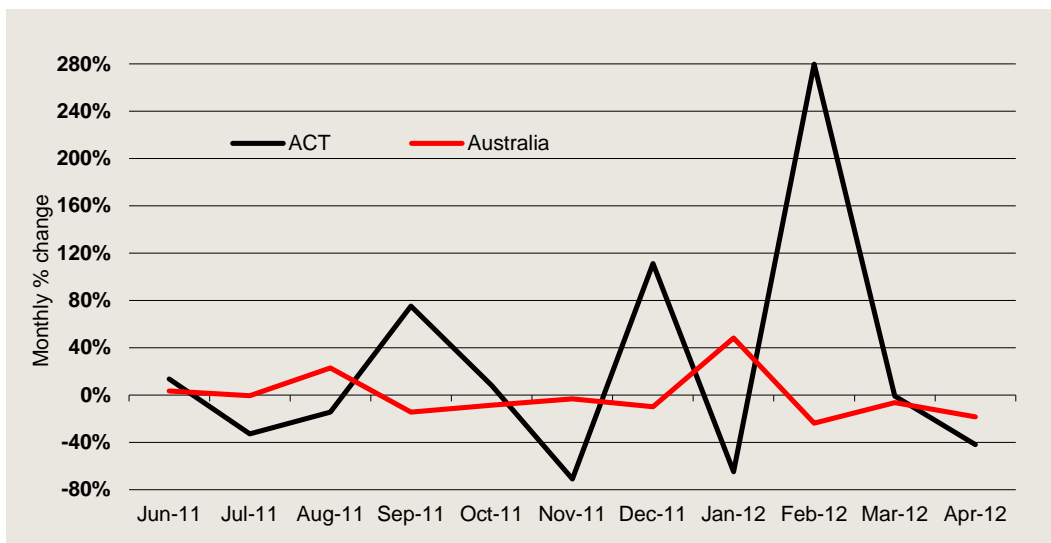


Data source: 8731.0 - Building Approvals, Australia, April 2012

Chart 2 shows the value of dwelling unit approvals month on month for the 12 months to April 2012 for the ACT and Australia as a whole. This data series is only available in original terms, which shows very volatile swings, particularly for the ACT.

Analysis of this data indicates a general long term decline month on month in the value of dwellings approved in the ACT and nationally, and shows that again the magnitude of month on month reductions is greater for the ACT than for Australia as a whole.

2 Monthly change in the value of dwelling units approved (original)



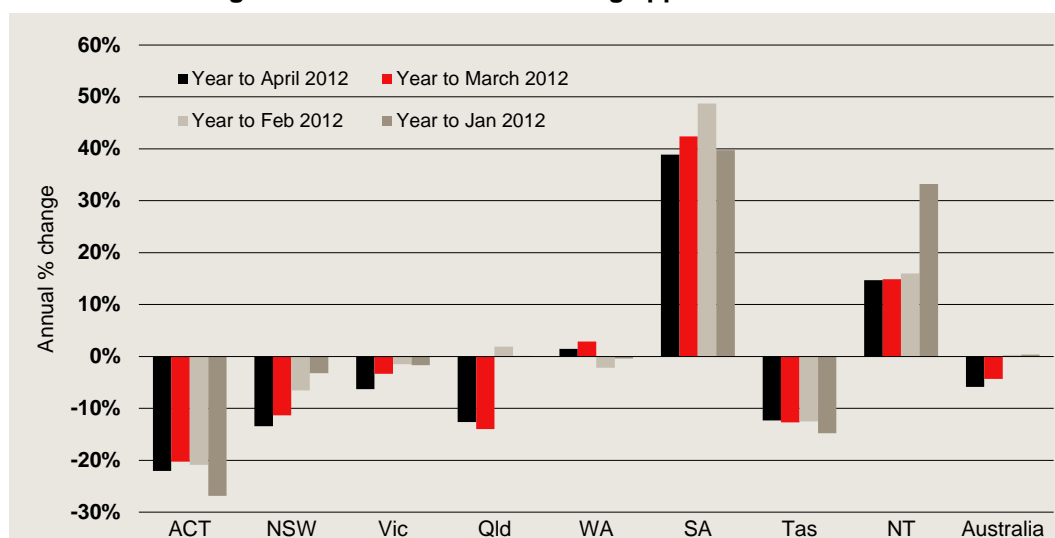
Data source: 8731.0 - Building Approvals, Australia, April 2012

The ACT building sector is among the weakest of all jurisdictions

Compared to other states, the ACT has suffered the largest annual decline in the year-to-date value of building approvals for the past several months.

Only South Australia and the Northern Territory stand out as having experienced positive annual change in the value of building approvals.

3 Annual change in the value of total dwelling approvals



Data source: 8731.0 - Building Approvals, Australia, April 2012

Area of most recent weakness is non-residential approvals

As seen in the differences between charts 3 and 4, the year-to-date monthly results for the value of non-residential building approvals in the ACT have been weaker than total approvals, indicating that the fall in the value of dwelling approvals is driven by the fall in the value of non-residential approvals.

The year to date contraction in the value of non-residential approvals has been 30 per cent and 50 per cent compared to falls in the value of total approvals of 20 per cent to 27 per cent.

4 Annual percentage change in the value of non-residential approvals



Data source: 8731.0 - Building Approvals, Australia, April 2012

Expectations for non-residential building activity over the next 12 months are also weak

In terms of consumer confidence, the Property Council of Australia's Property Industry Confidence Survey index for the June 2012 quarter for the ACT was 101 (where 100 is neutral). Though this suggests that overall confidence is neutral to mildly positive, this was the third lowest index score after Tasmania and Victoria (which scored below 100). The Property Council found that ACT respondents expect construction activity in the commercial office sector to weaken over the next 12 months. The survey also found that staffing level expectations have been revised downwards for three quarters in a row (including the June quarter) though they were still positive.

All these factors point to a need to stimulate building activity, which has been achieved through the 2012-2013 ACT Budget.