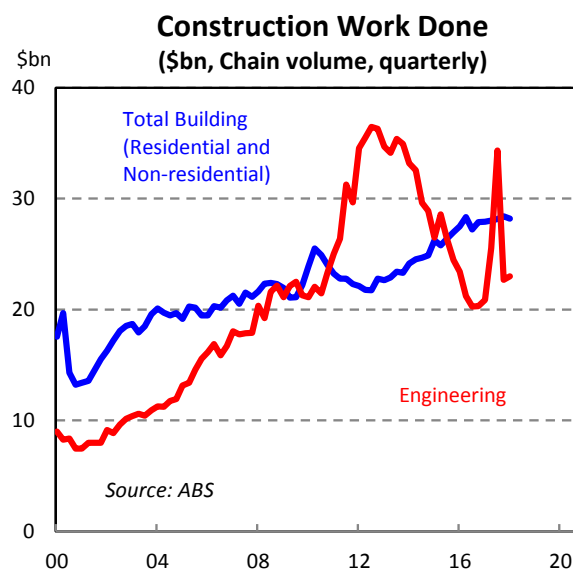
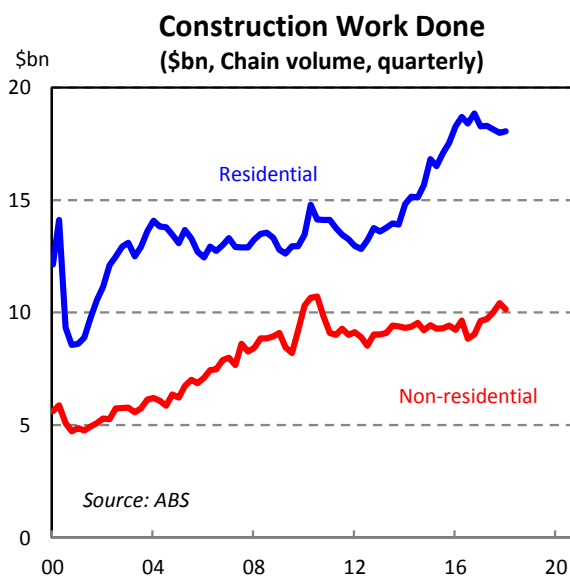


Construction Work Done Detail Encouraging

- Construction activity was softer than expected in the first quarter, rising just 0.2%, which was below our own and the consensus forecast. Construction work done has increased 5.0% over the past year.
- In the March quarter, the increase in construction activity was led by the public sector (+2.7%), while private sector construction languished (-0.5%). This highlights the key role of public infrastructure construction, particularly in transport, in driving economic growth.
- Residential construction lifted 0.4% in the March quarter, after falling in the previous two quarters. In an encouraging development, alterations and additions work rose 5.0% in the quarter. This was the strongest growth in alterations and additions construction since March 2010.
- The residential construction cycle has peaked and is now in a downturn. The resilience in residential building approvals suggests the downturn will be moderate over the coming 12 months.
- Non-residential construction fell 2.6% in the March quarter, with weakness in both private and public non-residential building.
- In the March quarter, construction work growth was driven by the eastern States, reflecting strong growth in engineering construction.



Construction activity was softer than expected in the first quarter, rising just 0.2%, which was below our own and the consensus forecast. This followed a sharp decline of 18.3% in the December quarter and a jump of 16.7% in the September quarter of last year, as the import of LNG platforms distorted the numbers.

Construction work done has increased 5.0% over the past year.

In the March quarter, the increase in construction activity was led by the public sector (+2.7%), while private sector construction languished (-0.5%). This highlights the key role public sector infrastructure construction, particularly in transport, is playing in economic growth.

Residential construction lifted 0.4% in the March quarter, after falling in the previous two quarters. New residential work fell 0.2%, led by weakness in non-house residential construction (apartments). Meanwhile, in an encouraging development alterations and additions work rose 5.0% in the quarter. This was the strongest growth in alterations and additions construction since March 2010.

Over the year to the March quarter residential building fell 1.3%, its fourth consecutive annual decline. Residential construction is in the midst of a downturn. Residential building approvals remain elevated, however, suggesting the downturn will be moderate over the next 12 months.

Non-residential building construction fell 2.6% in the March quarter, with weakness in both private and public building. Non-residential building has lifted 5.4% over the year to the March quarter, with gains in both private and public sector building. Despite the decline in the March quarter, there remains a solid pipeline of commercial building projects, as indicated by non-residential building approvals.

Engineering construction rose by 1.5% in the first quarter of this year, after a very volatile second half of 2017. Engineering construction fell 34.0% in the December quarter, following a 34.4% increase in the September quarter. In the March quarter private engineering construction stabilised, edging up 0.4% and suggesting that the mining investment downturn is exacting less of a toll as it nears completion.

Engineering construction has increased 10.3% over the year to the March quarter, with public sector construction growth outpacing that of the private sector.

States and Territories

By State Victoria led the charge in the March quarter. Construction work in Victoria rose 6.5%, led by engineering construction. In the March quarter, there was also growth in construction work in Queensland (2.4%) and NSW (0.6%). Elsewhere construction work declined, led by the Northern Territory (-8.2%), the ACT (-7.3%), Western Australia (-6.9%), South Australia (-1.9%) and Tasmania (-0.8%).

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The Detail

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