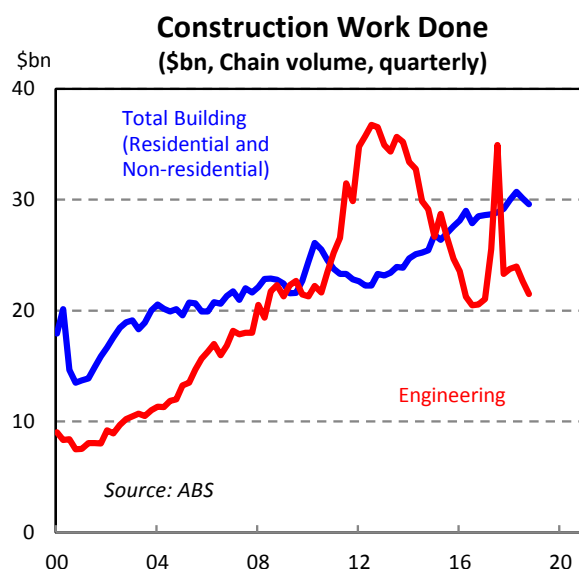
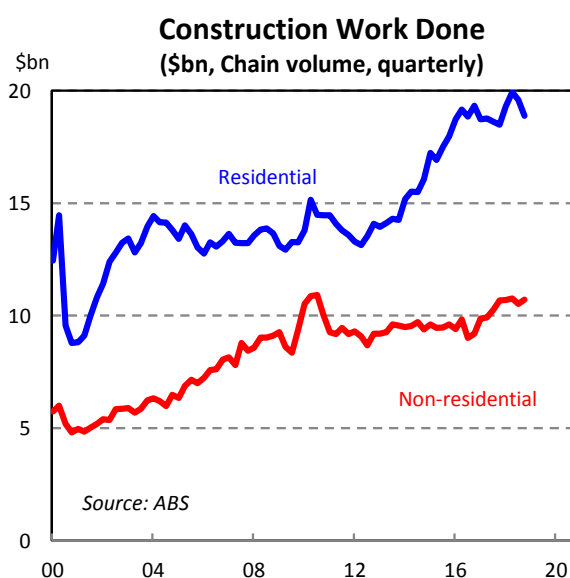




## Construction Work Done A Weak Outcome

- Construction activity was weaker than expected in the December quarter, falling 3.1%, well below own and the consensus forecast for a small increase. Construction work done has decreased 2.6% over the past year.
- The quarterly decline was led by engineering construction, which fell 5.0%. That weakness in engineering construction was driven by a sharp decline in public infrastructure.
- The fall in public sector engineering construction is concerning and surprising given public infrastructure spending was an area which had been expected to support economic growth. It comes at a time when concerns about strength in other areas of the economy, including consumer spending remain elevated.
- Residential construction was weak, falling 3.6%, after a decline of 1.8% in the September quarter. The fall in residential construction was across both new residential construction and renovation work. The residential construction cycle has peaked and is now in a downturn. The extent of the decline is suggesting this downturn is accelerating.
- Non-residential building construction rose 1.9% in the December quarter, rebounding from a 2.3% decline in the September quarter.
- Today's data along with weak consumer spending suggests GDP growth for the December quarter is going to be weak.



Construction activity was weaker than expected in the December quarter, falling 3.1%, well below own and the consensus forecast for a small increase. This followed a decline of 3.6% in the previous quarter (previously reported as a smaller 2.8% decrease).

Construction work done has decreased 2.6% over the past year.

In the December quarter, the decline was led by engineering construction, which fell 5.0%, after declining 5.6% in the September quarter. That weakness in engineering construction in the quarter was driven by a sharp decline in public sector work (-10.3%), while private sector engineering construction fell by a smaller 1.3%. The fall in public sector engineering construction is concerning and surprising given public infrastructure spending was an area which had been expected to support economic growth. It comes at a time when concerns about strength in other areas of the economy, including consumer spending remain elevated. There remains a solid pipeline of public infrastructure spending which should provide a pillar of support for the economy.

For the year to the December quarter, engineering construction for the private sector fell 9.1%, while engineering for the public sector fell 5.8%, its first annual decline since the June quarter of 2015.

Residential construction was surprisingly weak in the December quarter, falling 3.6%, after a decline of 1.8% in the September quarter. Private sector new residential work also fell 3.6% in the December quarter. The weakness was across both new houses (-3.7%) and 'other' dwellings, including apartments (-3.3%). Private sector alterations and additions work fell 4.0% in the December quarter. A decrease in new residential work was not unexpected, although the fall points to a sharpening downturn in housing. Residential construction has peaked and is now in a downturn. For the year to the December quarter, residential construction is up 2.1%.

Non-residential building construction rose 1.9% in the December quarter, rebounding from a 2.3% decline in the September quarter. For the year to the December quarter, non-residential construction rose 0.4%.

### **States and Territories**

By State the weakness was led by Queensland (-5.8%) and NSW (-4.1%), followed by Tasmania (-3.6%), Western Australia (-3.3%), the ACT (-3.0%), South Australia (-2.5%) and Victoria (-1.1%). Construction work in the Northern Territory remained weak, with a 14.2% decline in the December quarter.

The decline in Queensland was driven by a fall in building (-9.1%), the third consecutive fall. The decrease in NSW was led by a sharp drop in engineering construction (-9.7%), possibly reflecting bottlenecks or unusually wet weather in Sydney in the December quarter.

**Jo Horton, Senior Economist**  
Ph: 02-8253-6696

## Contact Listing

**Chief Economist**

Besa Deda

[dedab@bankofmelbourne.com.au](mailto:dedab@bankofmelbourne.com.au)

(02) 8254 3251

**Senior Economist**

Josephine Horton

[hortonj@bankofmelbourne.com.au](mailto:hortonj@bankofmelbourne.com.au)

(02) 8253 6696

**Senior Economist**

Janu Chan

[chanj@bankofmelbourne.com.au](mailto:chanj@bankofmelbourne.com.au)

(02) 8253 0898

### The Detail

The information contained in this report ("the Information") is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom Bank of Melbourne has a contract to supply Information, the supply of the Information is made under that contract and Bank of Melbourne's agreed terms of supply apply. Bank of Melbourne does not represent or guarantee that the Information is accurate or free from errors or omissions and Bank of Melbourne disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to Bank of Melbourne products and details are available. Bank of Melbourne or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. Bank of Melbourne owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of Bank of Melbourne.

---

Any unauthorised use or dissemination is prohibited. Neither Bank of Melbourne- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.

---