

The Infrastructure Boom

Engineering construction work done

- **Engineering:** Engineering construction work done rose by 2.8 per cent in the March quarter to stand 13.7 per cent higher than a year ago. A month ago, it was estimated that engineering construction was up by 1.5 per cent in the quarter.
- **Infrastructure boom:** Engineering work done for the public sector rose by 6.3 per cent in the March quarter. Over the year to March, a record \$35.8 billion of work was done for the public sector.
- **Work yet to be done:** Excluding resources, engineering work yet to be done stands at \$44.2 billion, just below record highs. Outstanding road and railway work are both at record highs.

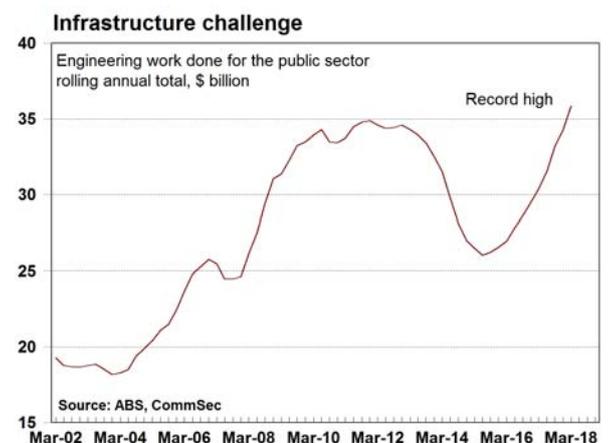
The data on engineering construction work is important for builders, building material companies, professional services, developers, government businesses and other dependent sectors and industries.

What does it all mean?

- Those about to hit the road in the coming school holidays may need to add extra to expected travel times. A record amount of roadwork is evident across the country. Those affected by the delays will clearly be getting up close and personal with Australia's infrastructure boom.
- The first construction boom was driven by the resource sector – with more mining and energy capacity created to meet global demand, especially China. The new construction boom is not mines or oil platforms but roads, railways, dams and electricity generation and distribution facilities.
- And the centre of activity is no longer Western Australia, Northern Territory and northern Queensland, but rather the growing population centres of south-east Australia.
- With so much construction underway – homes, commercial building and infrastructure, stresses are appearing, particularly the ability to attract and retain the necessary skilled staff. And clearly all the necessary staff aren't available in Australia – more workers will be needed from overseas, creating fresh momentum for the economy.
- Anecdotal evidence of wage pressures in the construction industries is expected to become more widespread. The question is to what extent any spill-over effects will be evidenced in other sectors.
- Those on the east coast probably never understood the "mining boom" of around a decade ago. But the building of roads, airports and railways will be more recognisable for those in capital cities.

What do the figures show?

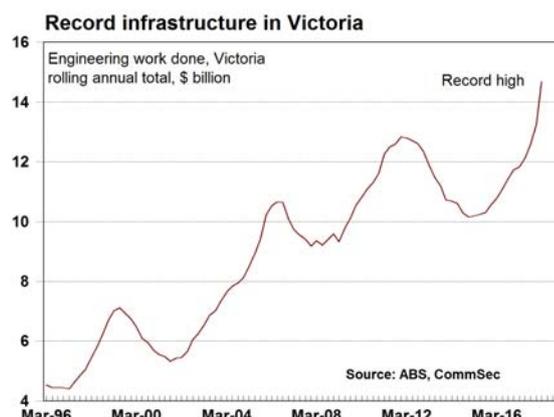
- **Engineering construction work done** rose by 2.8 per cent in real (inflation-adjusted) terms in the March quarter – the fourth gain in five quarters. Work done is up 13.7 per cent on a year ago. Previously, **engineering work** was reported as rising by 1.5 per cent in the March quarter to be 10.3 per cent higher over the year.
- **Value of work completed for the public sector** rose by 6.3 per cent in the quarter while **private sector** activity rose by 0.6 per cent.
- **Over the year to March a record \$35.8 billion of**



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infrastructure work was completed (engineering work for the public sector.)

- **Construction work rose in six of the states and territories** in the March quarter: NSW (up 5.6 per cent); Victoria (up 19.2 per cent); Queensland (up 9.5 per cent); South Australia (up 6.0 per cent); Western Australia (down 11.7 per cent); Tasmania (up 8.6 per cent); Northern Territory (down 13.3 per cent); ACT (up 13.8 per cent).
- **Work yet to be done:** There was \$59.2 billion of engineering work yet to be done as at March 2018, up from \$49.2 billion in the previous quarter. Excluding the resource sector (coal, oil, pipelines etc.) work to be done stands at \$44.2 billion, just below the record high of \$43 billion in December 2012.
- As at March 2018 a record \$20 billion of work was to be completed on roads and highways and a record \$11.7 billion of railways.
- In original terms, engineering work commenced in the March quarter was \$29.2 billion – the most in 5½ years – and up 66.2 per cent in the quarter. Almost \$90 billion of engineering work was started in the past year.



What is the importance of the economic data?

- The Bureau of Statistics releases quarterly estimates of **Engineering construction activity**. The estimates include value of engineering construction work done, commenced and yet to be done, classified by state or territory, commodity (roads, bridges, pipelines etc.), sector (public/private) undertaking the work, and sector for whom the work is being done. The data is a comprehensive assessment of the infrastructure pipeline.

What are the implications for interest rates and investors?

- Construction-dependent companies have plenty of work. The work may not be local, but it exists for those builders, tradespeople and construction firms willing to travel. Victorian engineering work is at record highs and NSW construction was just off the highs in the March quarter. And then there is a host of other engineering projects across the nation.
- Demand for labour and materials in construction and construction-related sectors will increase over the coming year. It's worth noting that state and federal governments have since added to the infrastructure workload after delivering budgets in the past two months.
- CommSec expects official interest rates to remain stable until early 2019.

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