



# National Survey of Building and Construction

## Business confidence... high on a healthy pipeline of future work

The index for business confidence continues to represent positive sentiments in the building and construction industry, recording an index score of 58.0.

Work on the books was strong for the majority of survey respondents, although the national index does mask some relatively large differences across the states – NSW, Victoria and Tasmania all recorded strong responses for work on the books, while WA and SA recorded relatively weak responses on average.

Expectations in the residential sector remain above those for the non-residential sector, although the last two quarters have shown an improvement in expectations for future non-residential building activity, which is likely to continue in 2018.

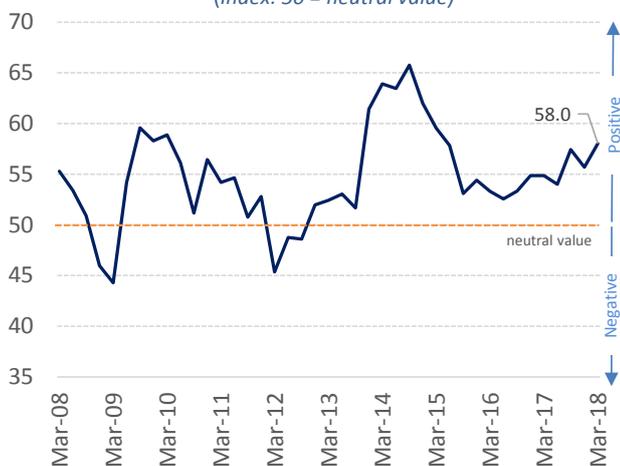
## Business conditions... mixed across the states

The index for business conditions in the building and construction industry improved slightly in the March quarter 2018, recording a score of 58.2.

The combined index includes metrics for current conditions for residential and non-residential businesses, and measures performance against a range of business indicators, including profits, turnover levels and work-in-progress.

Most survey respondents noted revenue/turnover is relatively positive, although the index for profits dipped slightly in the quarter. Across the states conditions were generally tighter in WA and SA, while prospects remain more positive in NSW, Victoria and Queensland.

Chart 1: Business Confidence  
(Index: 50 = neutral value)



\*Business confidence is a simple average of where builders believe their own business activity and profits are heading in the next six months.

Chart 2: Business Conditions  
(Index: 50 = neutral value)



\*Business conditions index is a simple average of builders' own business conditions and profits reported by respondents.

## Residential sector...booming on the back of strong approvals

The index for current activity in the residential sector recorded the highest index score in a number of years, driven by a very strong pipeline of work in our major capital cities. New housing commencements are expected to come close to 200,000 in 2017-18, well above the decade average of around 165,000, and continue to support very positive sentiments in the residential construction sector.

Expectations for future activity also remain positive, recording an index score of 58.8 in March 2018. A strong end to 2017 for the ABS building approvals data has translated into a healthy level of new residential building activity so far in 2018.

A moderation in price growth in the capital city markets of Sydney and Melbourne suggests new supply may have caught up with demand in these markets. However, with population growth expected to top 385,000 in 2018 according to Treasury estimates, new housing construction will need to remain high to keep pace.

Chart 3: Current and Future Conditions, Residential  
(Index: 50 = neutral value)



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## Non-Residential sector...index still neutral but more positive prospects ahead

The index for current conditions in the non-residential sector remain relatively neutral, recording a score of 49.6 in the March quarter 2018.

The index for future prospects in the non-residential building sector also crept under 50 for the second quarter in a row, recording a score of 49.3. But given the strong end to the year in the ABS non-residential building approvals data, and some big projects in the pipeline, there is an expectation that future non-residential building activity will improve in 2018 — dragging the index up along with it.

Chart 4: Current and Future Conditions, Non-Residential  
(Index: 50 = neutral value)



### About the survey

The survey of building and construction is a national survey of Master Builders' members published on a quarterly basis. In the March Quarter 2018, 612 responses were received from builders involved in all sectors of the building and construction industry: residential, renovations, commercial building, engineering construction, sub-contracting and materials supply. The survey allows members of Master Builders to present their views on the national economy and the condition of their own enterprises. The survey also provides information regarding on-going constraints on activity and availability of resources as well as selected supplementary questions. Various state/territory offices of Master Builders also release individual survey results.

In calculating the index the responses are weighted according to firm size. An index reading of 50 indicates a neutral or satisfactory outcome, readings above 50 usually suggest a more positive result and those below 50 a more negative outcome.

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