# No holiday cheer for construction sector

16 October 2019: Australian construction firms are expecting a subdued end to 2019, with the latest illion Business Expectations report revealing a sharp deterioration in December quarter forecasts.

illion's survey of more than 1,200 business owners and executives found businesses in the construction sector are expecting sharp declines across their sales, profit, employment and capital investment figures for the three-month period to 31 December, compared with the same quarter last year.

"As one of the biggest employers in the country – comprising more than 1.1 million Australians – a downturn in the construction sector will have a significant impact on the wider economy," said illion CEO Simon Bligh.

Construction expectations index: sales, employment, profits and investment.
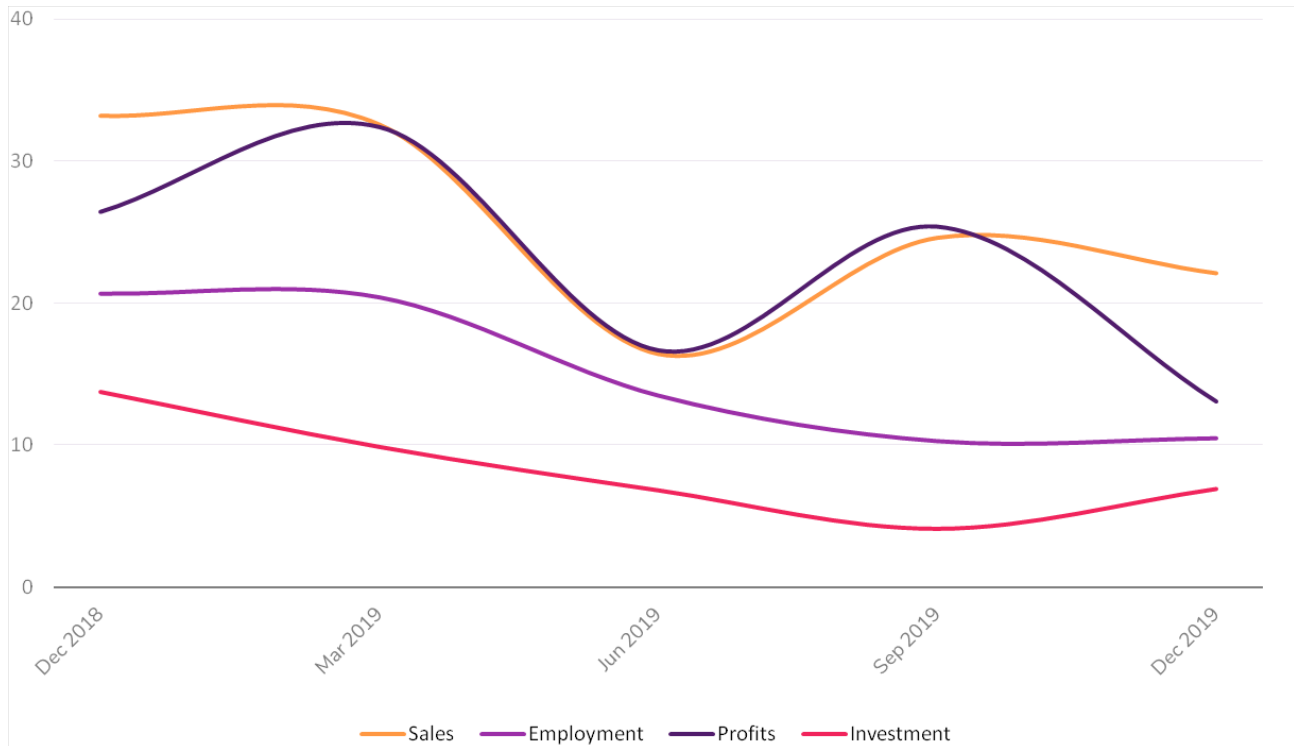
Earlier in June, a special industry report from illion had predicted the beginnings of a sharp downturn in the construction sector, citing a general decline in housing construction and signs of a topping out in non-residential construction activity.

"The decline in construction is consistent with official data – there is no question that things are deteriorating in the sector. By the end of this year, residential construction activity is likely to weaken further, while the pipeline of new activity for the early part of 2020 will also be reduced," said illion senior economist Stephen Koukoulas.

"With total construction making up more than 7% of the GDP, the recent slump in the industry will not only undermine bottom line GDP growth, but will almost certainly see job losses.

"However, despite the weakness in new dwelling construction, house prices are clearly recovering from a two year slump. A combination of low interest rates and favourable conditions could spark further strong increases in prices over the next few years," he said.

Construction – Actuals index (quarter-on-quarter and year-on-year comparisons)
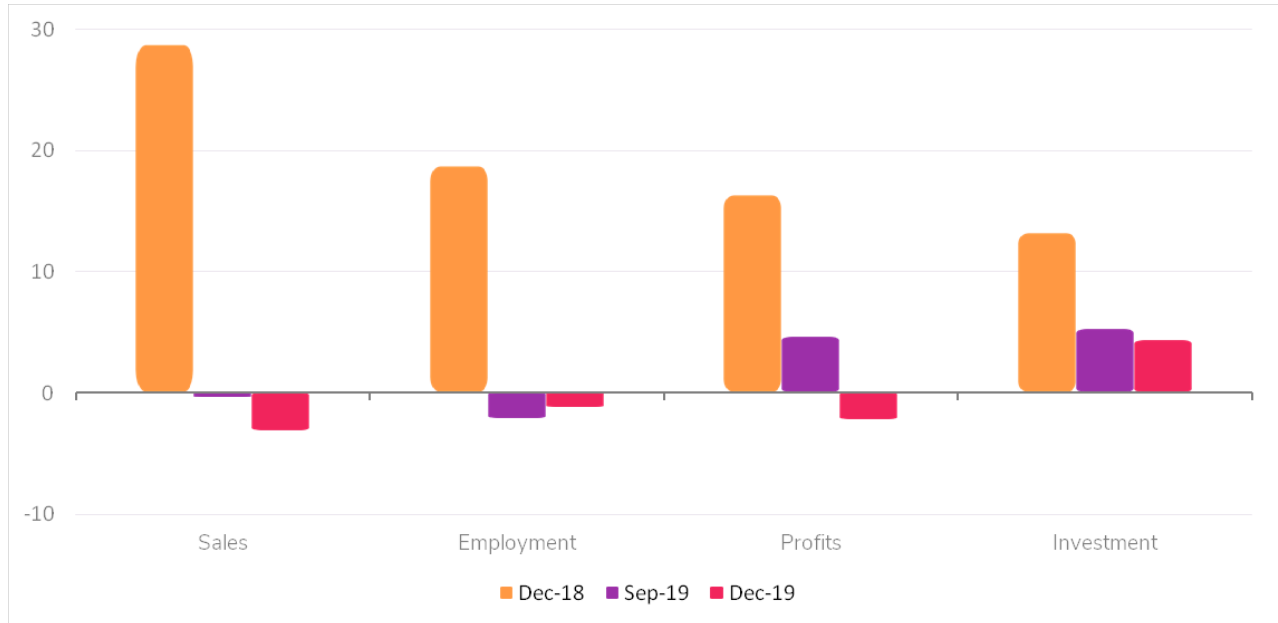
Across other sectors, the report revealed a similarly bleak December quarter outlook from retail and services businesses, but manufacturers are forecasting slight improvements in performance, despite disappointing prior-quarter figures. Businesses across all sectors also expressed mild optimism over the elections earlier this year, with more than a third expecting a positive impact from the Coalition's election win, compared with only 8% forecasting a negative impact. More than half did not expect any changes.

Key highlights from the report
- Expected and actual indices for the construction sector are down significantly, both on a quarterly and year-on-year basis.
- The overall Expectations index – which represents the combined outlook across all business sectors – improved by 15.4% from the previous quarter, but fell 5.6% year-on-year.
- The Actuals index – which measures performance for the March 2019 quarter – was down 2.9% compared with last quarter, while the year-on-year figure plummeted by nearly 60%.
- Selling prices are expected to drop over the December quarter, with both expected and actual indices experiencing double digit declines.

illion's quarterly Business Expectations report forecasts to the December 2019 quarter. It is one of the most respected indicators of sentiment and forecasts across the country, and helps leading organisations plan for economic trends.

Each month, illion asks a sample of executives if they expect an increase, decrease or no change in their quarter-ahead sales, profits, employees, capital investment and selling prices compared with the same quarter a year ago. The executives are also asked for actual changes over the twelve months to the latest completed quarter.

In this issue, the final indices for the latest quarter are based on approximately 1,200 responses obtained during July, August and September 2019.

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We leverage consumer and commercial credit registries, which comprise data on over 24 million individuals and over 2 million commercial entities, to provide end-to-end customer management solutions to clients in the financial services, telecommunications, utilities and government sectors.