



CSQ

Industry Outlook 2017-18

DATA AND EVIDENCE
SUPPORTING THE ANNUAL
TRAINING PLAN | 2017-18



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Introduction

Construction Skills Queensland (CSQ) is an independent industry-funded body supporting employers, workers, apprentices, trainees and career seekers in the building and construction industry. CSQ invests funds collected by the Building and Construction Industry Training Levy into services and programs that directly support the growth and development of skills in Queensland's construction industry.

This investment is always driven by a clear assessment of the state of Queensland's construction industry and its workforce. Each year, a detailed assessment of the landscape underpins CSQ's investment strategy for the year ahead, which is outlined in its Annual Training Plan (ATP). In this report, we present CSQ's view of the industry and workforce for 2017-18.

The Industry Outlook is CSQ's assessment of the predictions for key construction sectors, the state of the construction workforce, as well as the pipeline of apprentices and trainees who represent the future of our industry. The Industry Outlook underpins CSQ's 2017-18 Annual Training Plan and should be read as a companion to this key corporate document.



Our post boom world

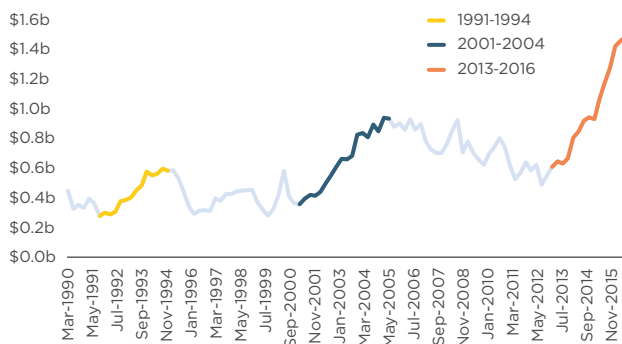
If the story of the decade to 2013 was the mining construction boom, the story since then has been the surge in residential building that gripped South-East Queensland. This latest period of residential construction has been a big help in transitioning construction workers out of the ashes of the mining boom.

While detached housing has performed solidly, the recent levels of activity have emphasised high-rise apartments. It has not been Queensland's first love affair with apartment building, but it has certainly been its most passionate.

The peaking of apartment approvals around the middle of last year suggests there is probably only another 12 months of wind left in the sails of this current enthusiasm for apartments. After that time, Brisbane will be left holding a sizeable glut of apartments. We therefore do not expect there to be much apartment building for several years after 2018. We expect construction of detached dwellings, on the other hand, to clip along at a healthy, but by no means booming rate.

Queensland Apartment Building

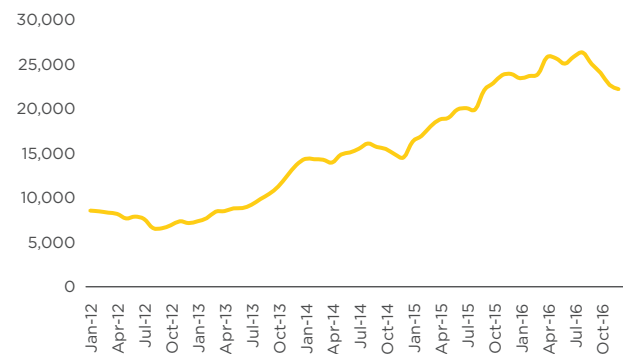
New Other Residential Work Done, CVM, Qtly, Qld



Source: ABS

Apartment Approvals Have Topped

Other Residential Approvals, Number, MAT, SEQ



Source: ABS

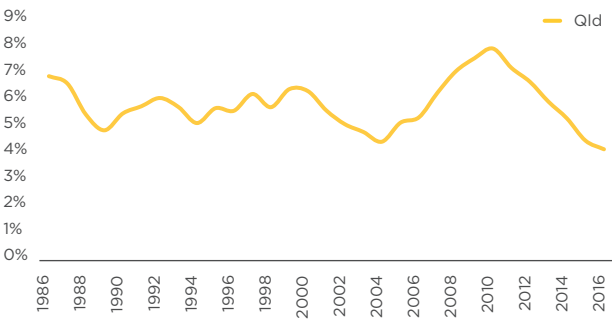
Infrastructure should be the next boom but ...

With the mining boom well behind us, and the residential surge soon to follow, some are looking for a boost in infrastructure investment as the next big thing. There are good reasons for this – Queensland has just emerged from an epic mining construction boom; levels of public investment are at all-time lows; and money does not get much cheaper than it is at the moment.

This should add-up to a veritable bonanza of major projects in roads, rail and utilities. Yet while momentum builds in the southern states, we do not foresee much for Queensland over the next 12-18 months. The Queensland government is active in ensuring much-needed infrastructure investment is secured, but fiscal policies are limiting options for big public spending.

While we do not expect an infrastructure boom in the next 18 months, investment will come eventually. Quite simply, public infrastructure needs to expand considerably to accommodate the substantial immigration programme that continues to swell the ranks of Queenslanders year-after-year. While the long-awaited Cross River Rail project will be the first big ticket item, it will not be the last.

Infrastructure Investment at All-Time Lows
Public investment as % of GDP/GSP



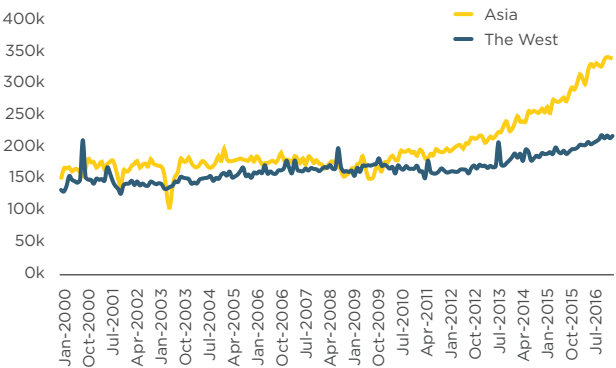
Source: ABS, BIS Shrapnel

A Tourism Boom?

There is a good argument for a tourism-driven boost to construction activity in Queensland. The argument is based on an unprecedented number of foreign visitors landing in Australia over recent years, with much of this growth coming from relatively big-spending Asian tourists, rather than our traditional US and European customers.

Combine this growth in demand with the recent impact of Cyclone Debbie and the Central Queensland floods on many of our destination locations – and with tourists’ expectations for world-class facilities – and there is good reason to think some significant construction spending might be on the cards. We definitely expect there to be some investment in parts of the state, such as we are already seeing in Cairns, but global conditions will need to strengthen, and the Australian dollar to drop, if we are to have any chance of turning this tourism bump into a boom.

A Tourism Boom?
Short-Term Visitor Arrivals, Mthly



Source: ABS

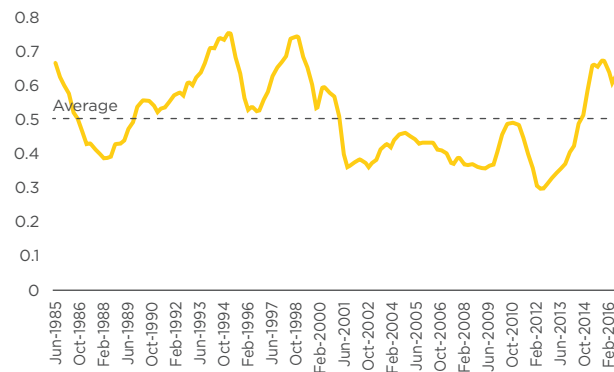
Back to fundamentals

All the talk of apartment oversupply suggests that construction workers might be facing some tough conditions in the near future. It is true that the inner Brisbane apartment market is oversupplied. But there is much more to Queensland's construction industry than high-rise apartments and the five-kilometre ring around Brisbane's CBD.

While the last few years have seen high levels of dwelling completions relative to Queensland's population growth, this follows a long below-average period. For the majority of the last 15 years, the number of new dwellings completed for every new Queenslander has been quite low by historical standards. Therefore, the recent spike has probably not pushed the market into a state of over-supply, but rather mopped-up some of the excess demand that had built-up in the last 15 years.

Queensland Dwelling Supply and Demand

New Dwellings Completed for Every New Queenslander (MAT)

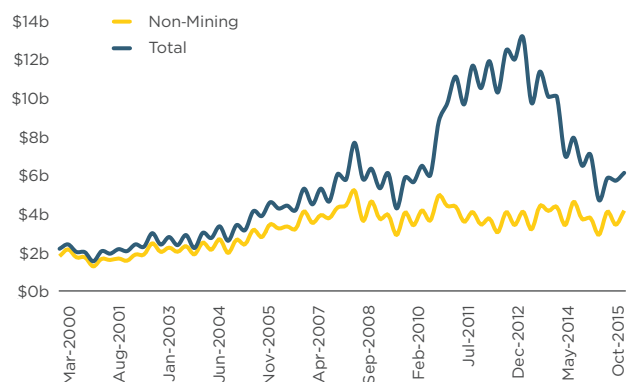


Source: ABS

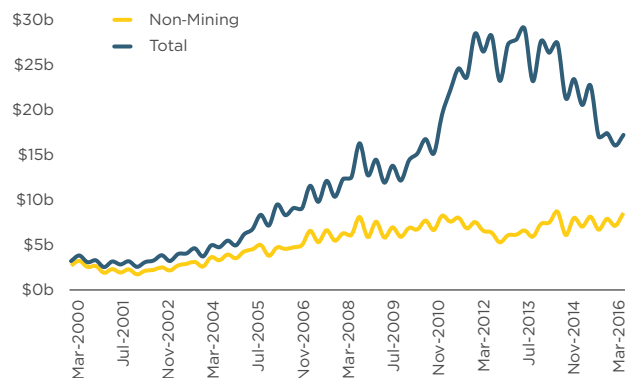
Business investment is another important driver of construction activity. An environment of flat profits since the GFC has led to a muted appetite for spending among businesses. This translates directly into how much businesses are investing in the construction of new buildings and other structures. These stagnant trends mean business spending will contribute only modestly to construction prospects over the next year or two.

Business Investment Modest Driver of Construction

Business Investment, Qld



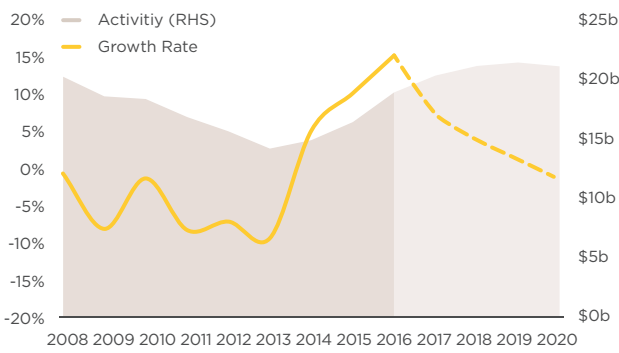
Business Investment in Building and Structures, Aust



Source: ABS

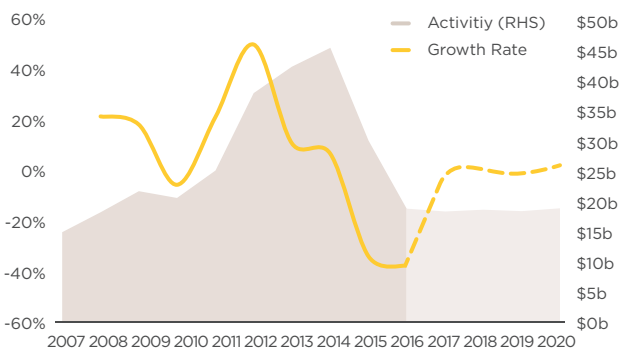
Overall, unless we see a marked downturn or upturn in the economy as-a-whole, conditions for dwelling construction are likely to be lukewarm — but not frosty — for the foreseeable future. People will keep making the move to Queensland, which will guarantee plenty of residential work to be done over the next couple of years. Of course, building preferences will swing much more toward low- and medium-density stock than high rises.

Residential Construction Outlook
Work Done, CVM



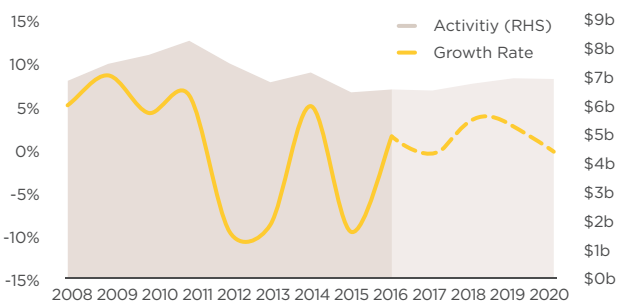
Source: NIEIR

Engineering Construction Outlook
Work Done, CVM



Source: NIEIR

Commercial Construction Outlook
Work Done, CVM



Source: NIEIR

The workforce response

There are about 220,000 people currently working in Queensland's construction industry. This level of employment has proven to be a persistently high plateau after the very high levels reached in 2008. While the trend is definitely downward, it is by no means as steep as might be expected given the scale of the expansion of the workforce in the early-noughties.

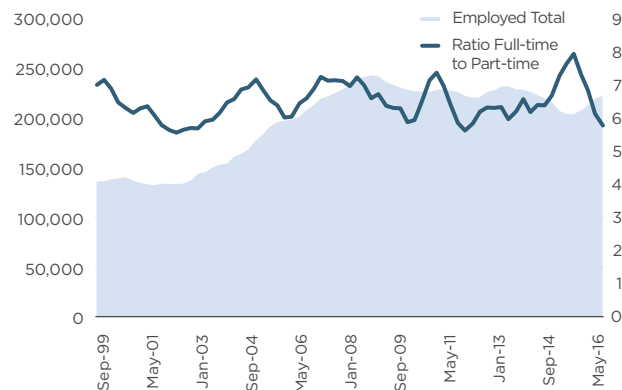
However, we are starting to see a trend toward part-time work, an indication that spare capacity is building in the labour market. Our modelling suggests there will be a steady surplus of labour in Queensland's construction industry out to 2020. This will ensure there is little upward pressure on wages, and generally ensure good availability of tradespeople and labourers going forward.

The apprenticeship system is acting as a solid support to the industry, supplying an adequate number of new tradespeople each year. The current intake rate of new apprentices is around 3.5 commencements per 100 workers – above the long-run average of 3.1. Our forthcoming analysis shows that the completion rate for Queensland construction apprentices is a healthy 65%.

The number of completing apprentices is forecast to exceed the number of additional tradespeople required by the industry for the foreseeable future. This provides a healthy buffer to offset the industry's natural shrinkage through retirements, deaths, emigration, and transfers to other industries. Apprentices completing in the coming years can expect to enter a competitive jobs market, but not an impenetrable one.

Workforce Indicators

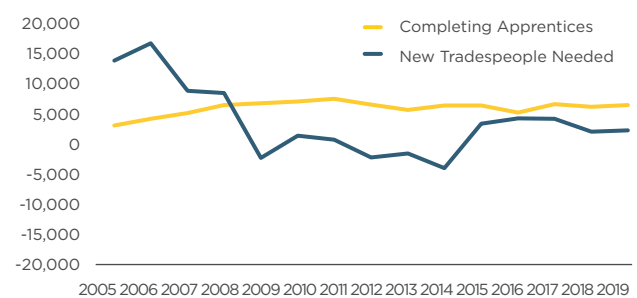
Construction Workforce, Qld



Source: ABS

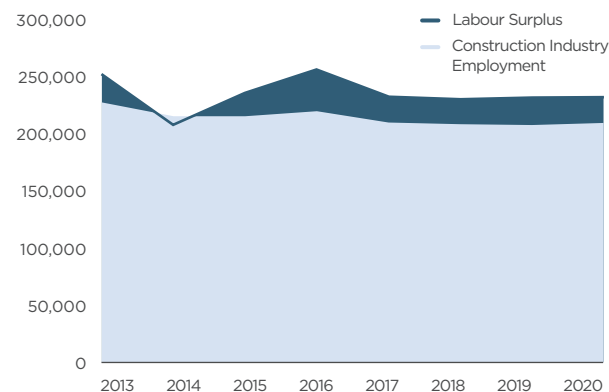
Apprentice Supply Meeting Industry Needs

Forecast Apprentice Completions and Demand for Trades, Qld



Source: CSQ, NIEIR

Construction Supply and Demand



Source: NIEIR



**The completion
for Queensland
construction
apprentices is
a healthy 65%**

How to get involved

Visit: csq.org.au

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