

# Building industry businesses expect decreases in both the value of building projects and employment numbers.

## October 2011 Building Industry Economic Survey report

### Survey overview

The quarterly Building Industry Economic Survey (BIES) was conducted, for the eighth time, in October 2011. The previous survey was conducted in July 2011. Major businesses in the building industry (architecture businesses, drafting businesses, building surveyor businesses, building design businesses and builder businesses) were invited to participate in the survey by providing their work and employment forecasts, and business impact expectations over the next six months.

### Results summary

Overall, the survey results were more negative than in previous quarters, with less work in order books and decreases expected in both the value of building projects and employment numbers over the next six months.

## Business levels are expected to decline slightly over the next six months

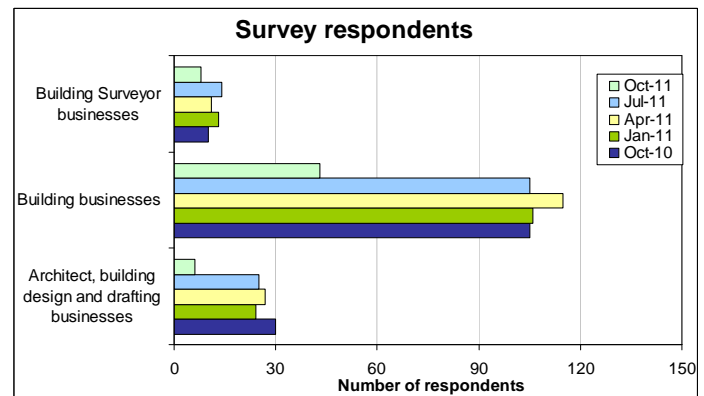
On a positive note, interest rates and the availability of client credit, while still expected to generally have a negative impact, had an increased number of businesses forecasting a positive or consistent impact for the next six months.

Similar to the last survey, expected negative impacts on business include: effect of consumer confidence interest rates, cost of building materials, and business credit availability.

There were much fewer respondents to this survey than in other quarters due to a survey distribution change, however the results are similar or follow similar patterns to previous quarters.

### Survey participants

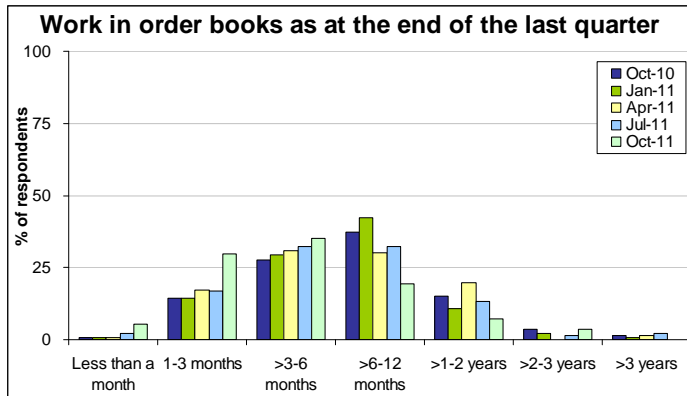
There were 57 respondents this quarter, about half as much as usual. Seventy-five per cent were building businesses, 14 per cent building surveyor businesses and 11 per cent were architect, building design and drafting businesses. These splits are similar to previous quarters.



### Work in order books as at September 2011

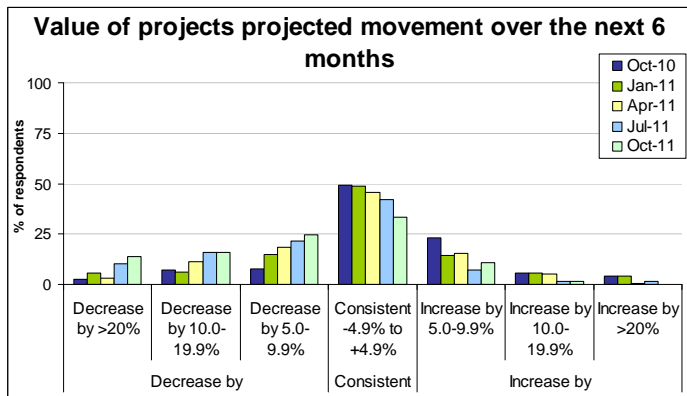
There was a significant drop in the amount of future work the industry reported having in their books. At September 2011, the average amount of future work in businesses was 6.3 months, compared to over eight months every other quarter reported since inception of this report.

Thirty per cent of businesses report having over six months work, 35 per cent have three to six months and another 35 per cent have three months or less of work in their order books.



## Expectations on value of building projects

The industry expects the value of their work undertaken to decrease or remain the same over the next six months. On average, businesses expect a 6 per cent decrease in the value of their work, compared with a 5 per cent decrease forecasted last quarter.



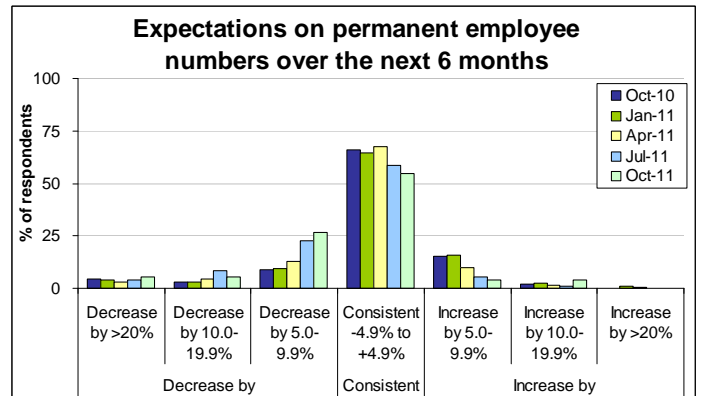
Fifty-five per cent of businesses surveyed expect the value of building projects to decrease over the next six months, following an increasing negative trend over the past five quarters. One third, expect consistent values, and 13 per cent expect an increase.

Using this survey's forecast of a 6 per cent reduction in work undertaken over the next 6 months and current building permit information, the forecast value of building work for the 12 month period from April 2011 to March 2012 would be \$25.2 billion, a 4 per cent increase compared to the same 12 month period the previous year.

## Employment expectations over the next six months

Building industry businesses expect to slightly decrease their employee numbers with a 3 per cent reduction in permanent

employment numbers and a 6 per cent decrease in contracted employee numbers.

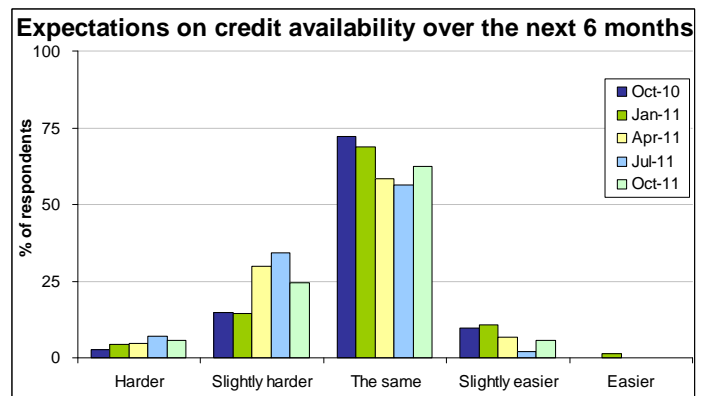


The majority, 55 per cent, of the building industry expects their permanent employment to stay the same over the next six months, 37 per cent expect a decrease and 8 per cent forecast an increase.

ABS figures reported a 1 per cent increase from March to June this year in building industry employment to 194,000 people. A 3 per cent reduction, as forecast by this survey, would mean employment would reduce to 188,000 by December 2011, which would be a 0.4 per cent reduction on the annual figure.

## Credit availability over the next six months

While the majority of respondents reported that they expect the availability of credit to stay the same over the next six months, there was a less negative sentiment reported this quarter.



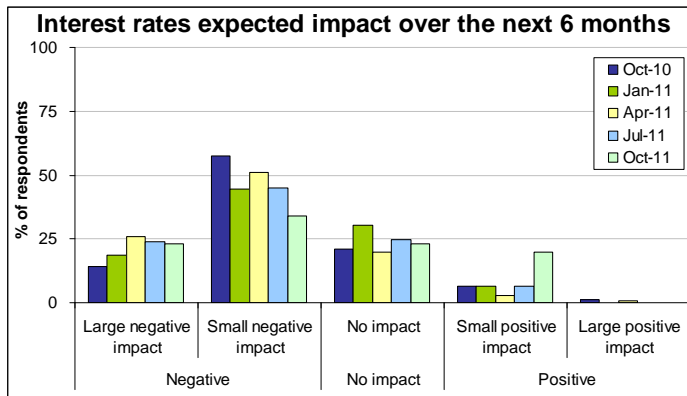
Sixty-two per cent of businesses expect credit availability to remain the same (compared to 56 per cent last quarter), thirty-one per cent expect it to become harder (down from 41 per cent) and 6 per cent expect easier conditions over the next six months (up from 4 per cent).

Building businesses expect their clients' ability to access credit to have a negative impact on their business over the next six months, though there was a higher positive sentiment than previous quarters.

Building businesses access to credit is expected to be the same over the next six months, according to 57 per cent of interviewed building industry businesses, similar to previous quarters.

## Interest rates impact on business over the next six months

Interest rates are still expected to have a negative impact on building businesses over the next six months, although some positivity was reported this quarter indicating that the industry expects interest rate pressures will soon ease.



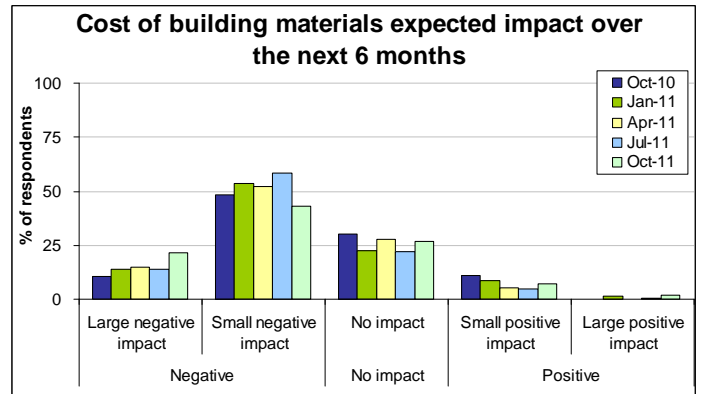
Fifty-seven per cent of responding businesses claimed they expected interest rates to have a negative impact on business (compared with 69 per cent last quarter), 23 per cent expect no impact and 20 per cent expect a positive impact (up from 6 per cent).

## Impact of cost of building materials on business over the next six months

Building businesses expect the cost of building materials to have a negative impact on their business over the next six months.

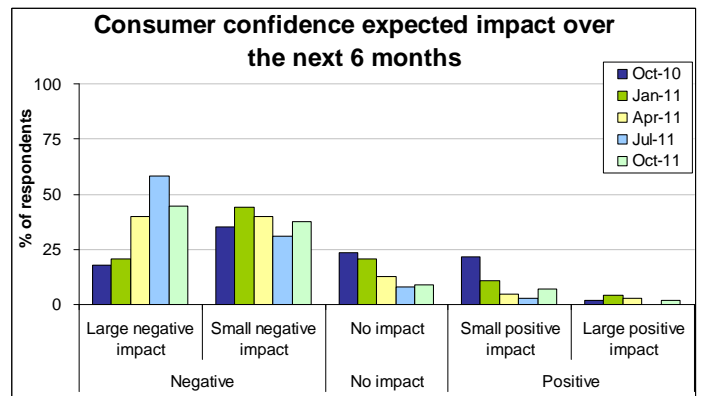
Sixty-four per cent of the respondents expect a negative impact (compared to 72 per cent last quarter), 27 per cent expect no impact (22 per cent last quarter) and 9 per cent expect a positive impact (6 per cent last quarter).

Although the expectations were slightly more positive compared to previous quarters there was an increase in the number of businesses expecting a large negative impact.



## Impact of consumer confidence on business over the next six months

Consumer confidence is expected to have a negative impact on business over the next six months.



The majority of respondents, eighty-three per cent, claim consumer confidence will have a negative impact on their business over the next 6 months, 9 per cent expect no impact, while another 9 per cent expect a positive impact.

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