

WESTERN AUSTRALIA



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NATIONAL SURVEY OF BUILDING & CONSTRUCTION

Business confidence...a little ray of sunshine

Western Australian's are a positive bunch. Something which comes easy given the scenic surroundings and relatively relaxed lifestyle. But you'd expect with the current challenges in the building industry, which is reeling as more than 1000 people per month move back east as the mining work dries up that confidence in the sector would be more sombre. But as chart 1 shows, confidence has picked up steady since reaching a low point back in September 2015.

Despite these challenges business confidence improved in the September quarter, driven primarily by positive sentiments from residential builders about prospects for the next 6 months. On the other hand, sentiments for the next 6 months from commercial builders was a little more subdued, with about half surveyed expecting an improvement, while the other half are either uncertain or expect conditions to deteriorate further.

The combined index for business confidence in Western Australia was recorded at 61.2 in the September quarter, well above the national average of 57.4. Business conditions and the outlook for building activity are not better in the west than in other states... It must be the sunshine.

Business conditions...not supported by the fundamentals

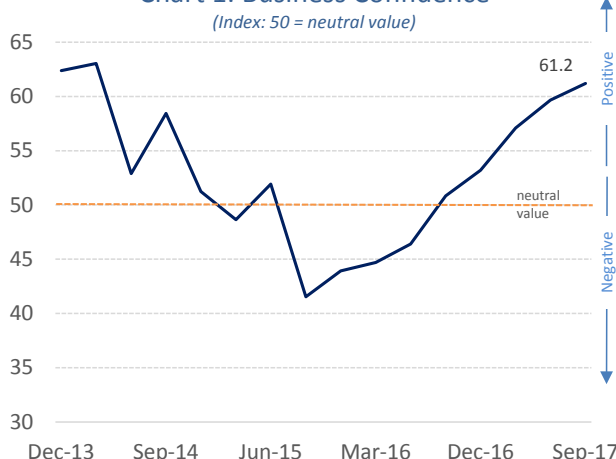
The index for business conditions in the Western Australian building and construction industry dipped again in the September quarter, recording an index score of 39.4. Anything below a score of 50 suggests sentiments in the industry are negative.

Made up of a range of indicators, which includes metrics for current conditions for residential and non-residential business, as well as a range of more specific business indicators, such as profits, turnover levels and work-in-progress. All indicators that make up the broader index for business conditions returned negative scores below 50 in Western Australia.

Note the significant difference in current conditions (Chart 2) and confidence, which includes metric for future expectations. Nowhere else in Australia is the difference as stark as in WA, good evidence of the rather different set of challenges facing the building sector in the west compared to the eastern states. It is also good signal that prospects in WA are likely to improve, with the worst of the downturn likely behind us.

Chart 1: Business Confidence

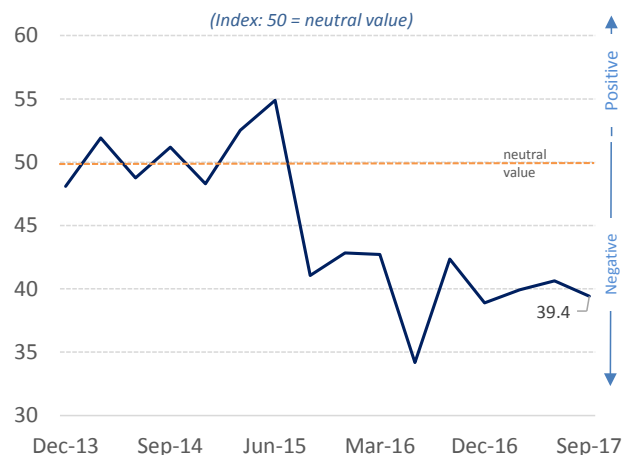
(Index: 50 = neutral value)



*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.