

How much further can engineering construction activity grow?

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OXFORD
ECONOMICS
AUSTRALIA

AUSTRALIAN CONSTRUCTION OUTLOOK

September 2024





Engineering Construction

Engineering Construction - Agenda

- What happened over FY24?
- What will happen next?
 - Government spending will peak
 - Transition from transportation to utilities
 - Mining investment and the move to net zero
- Key stories in each state

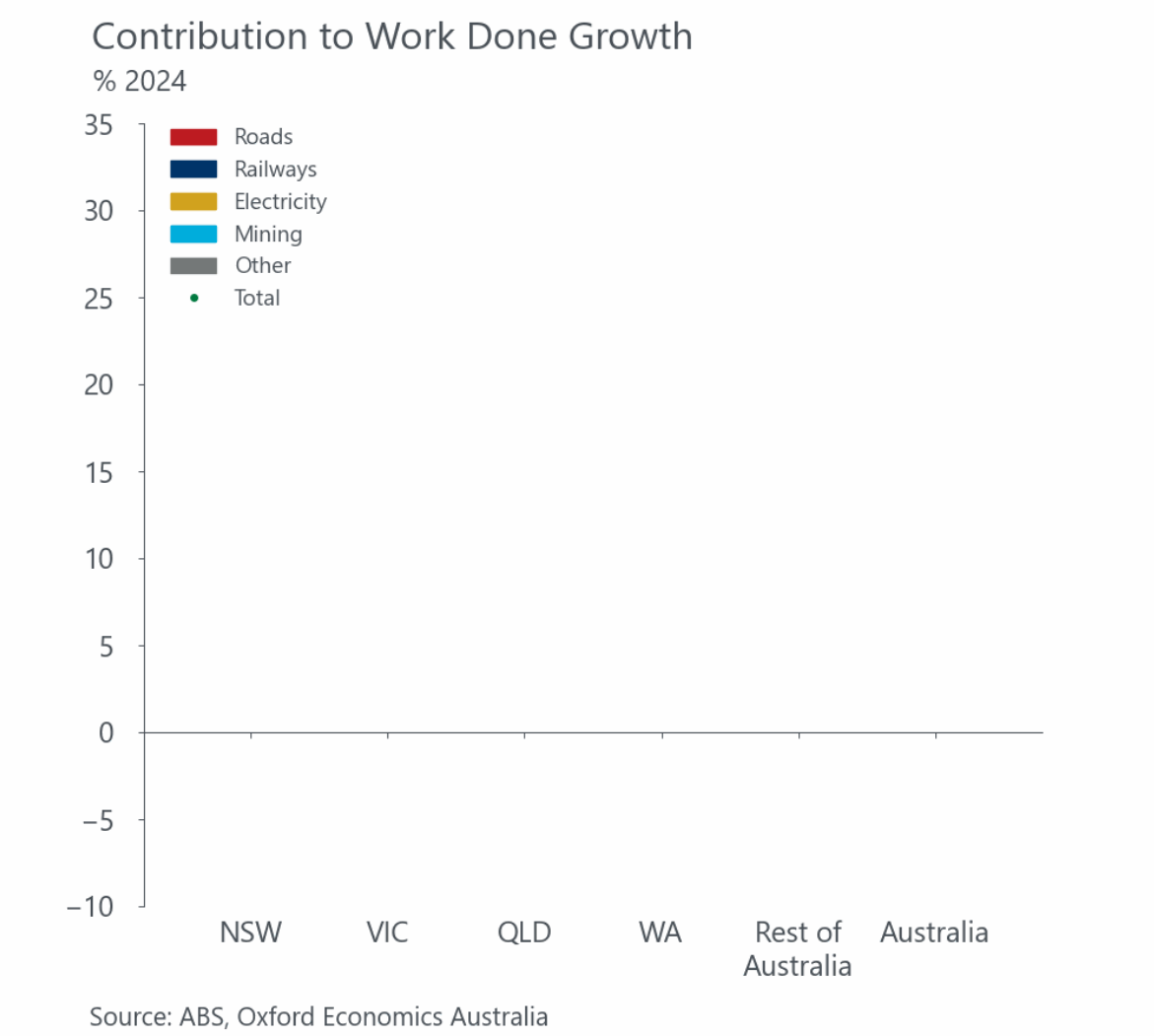
Why Oxford Economics?

- **A trusted brand.** An acknowledged world leader in global forecasting and quantitative analysis.
- **An objective, independent view.** As a privately owned firm, you are assured that our analysis comes with no political or institutional bias.
- **Calibre of staff.** Our team of more than 250 economists and analysts have extensive industry, financial, and public-sector experience.
- **Quantitative rigour.** We have long been a leader in quantitative analysis with over 40 years of experience conducting evidence-based research.

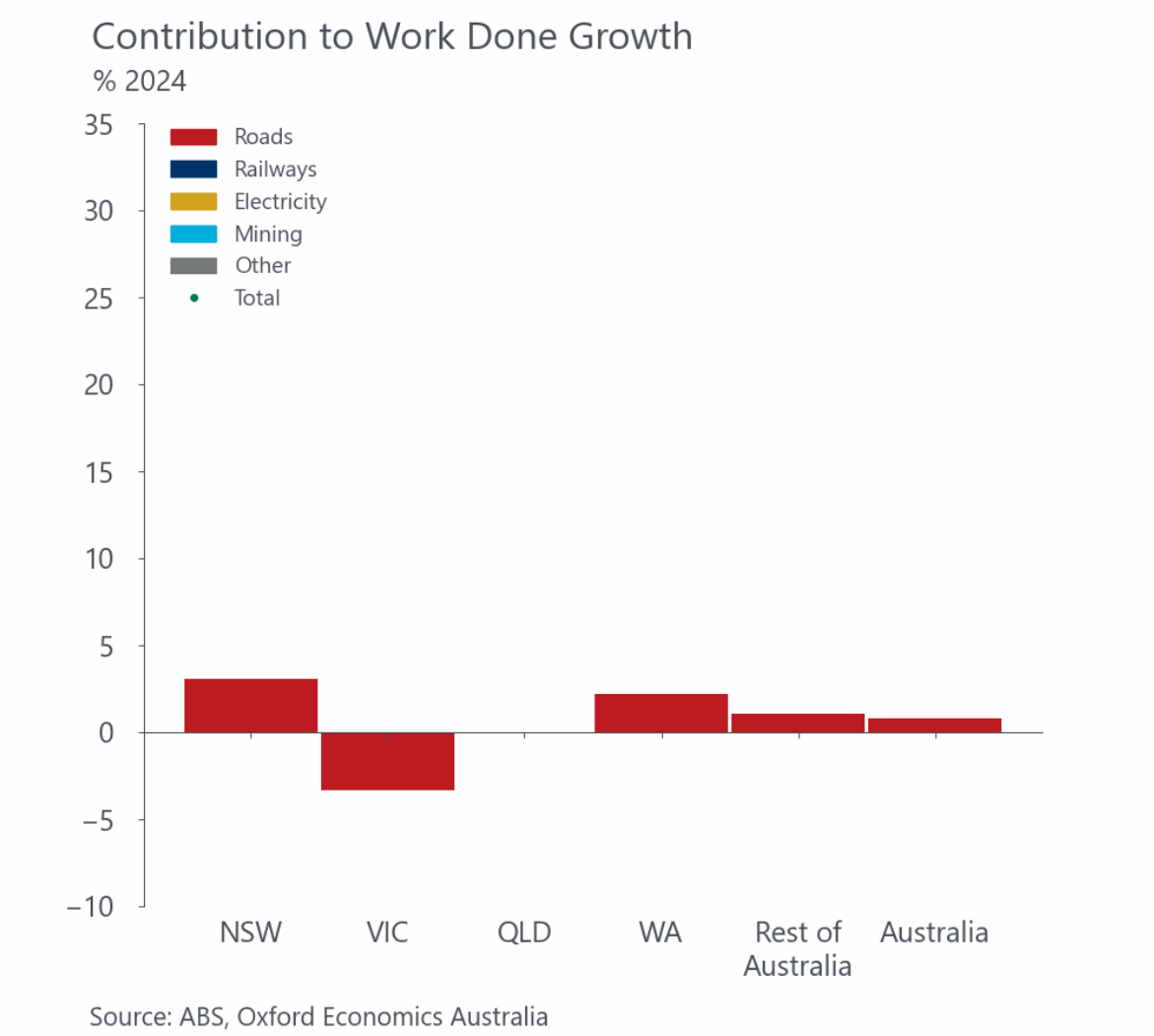


What just happened?

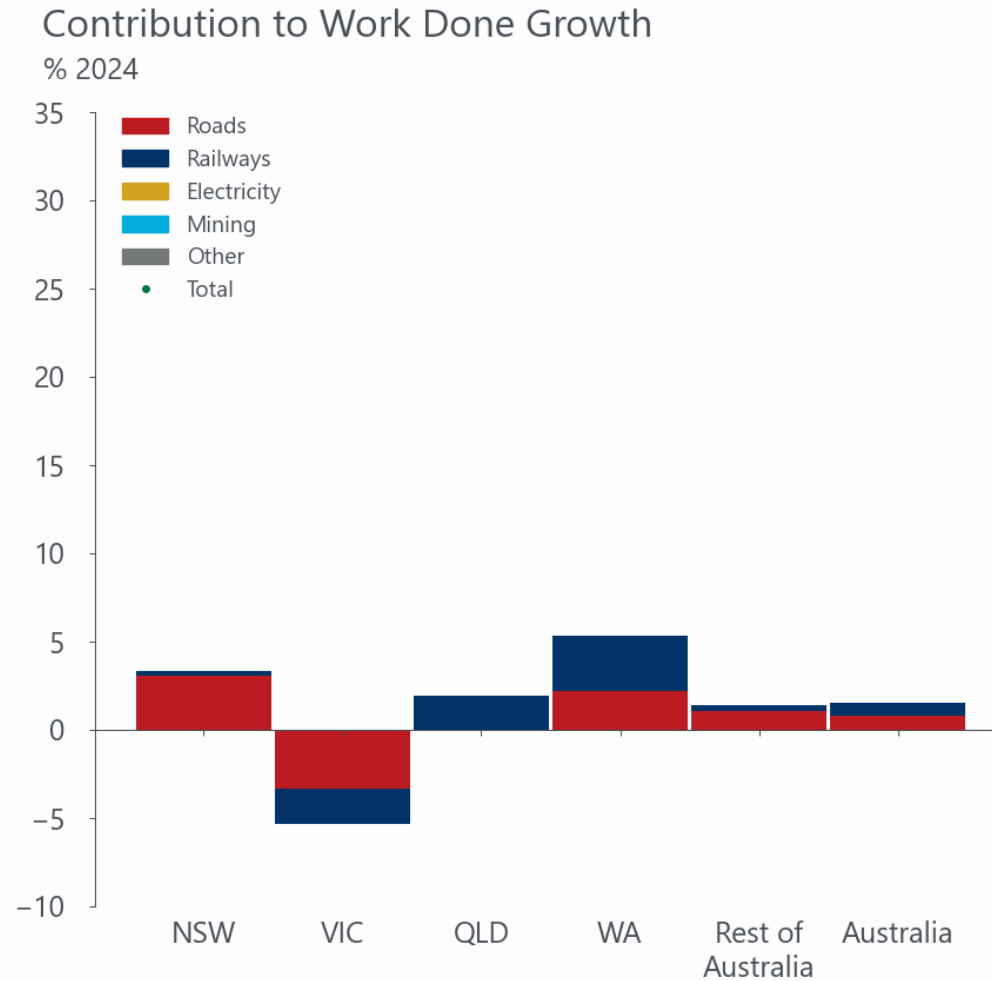
Activity grew strongly over FY24



Activity grew strongly over FY24

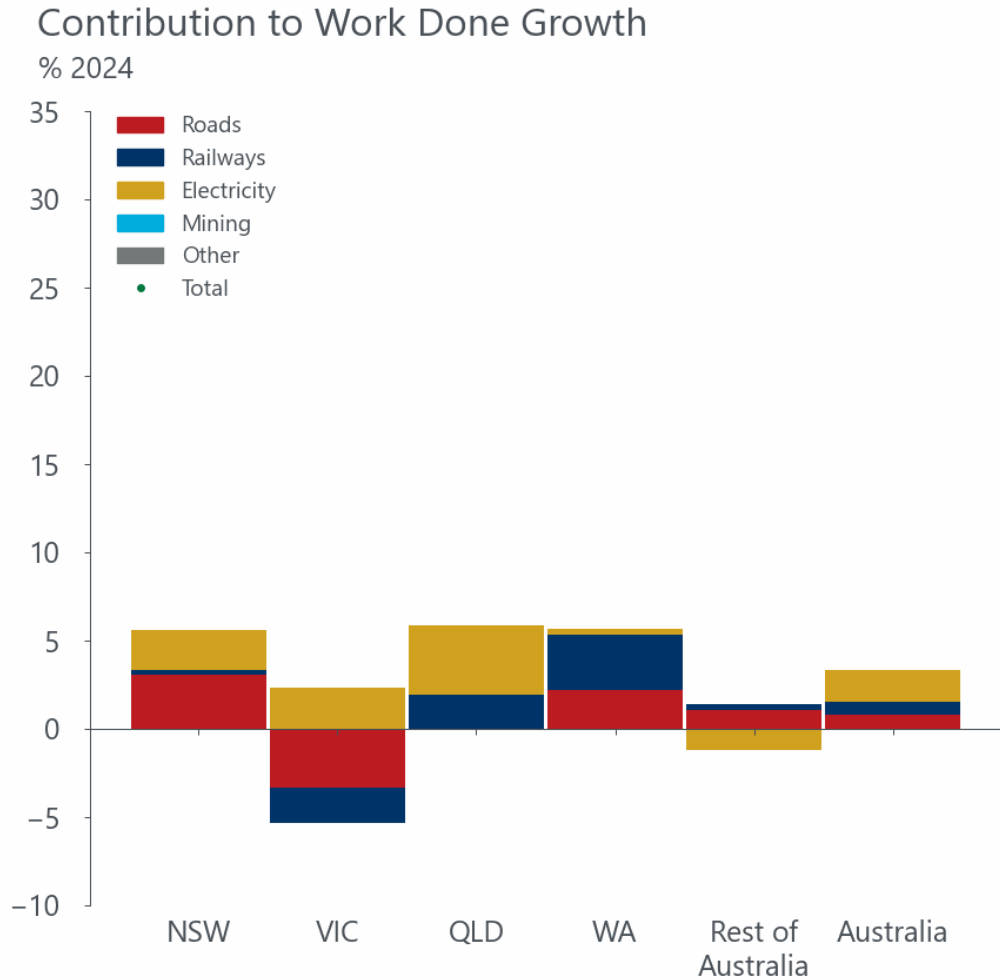


Activity grew strongly over FY24



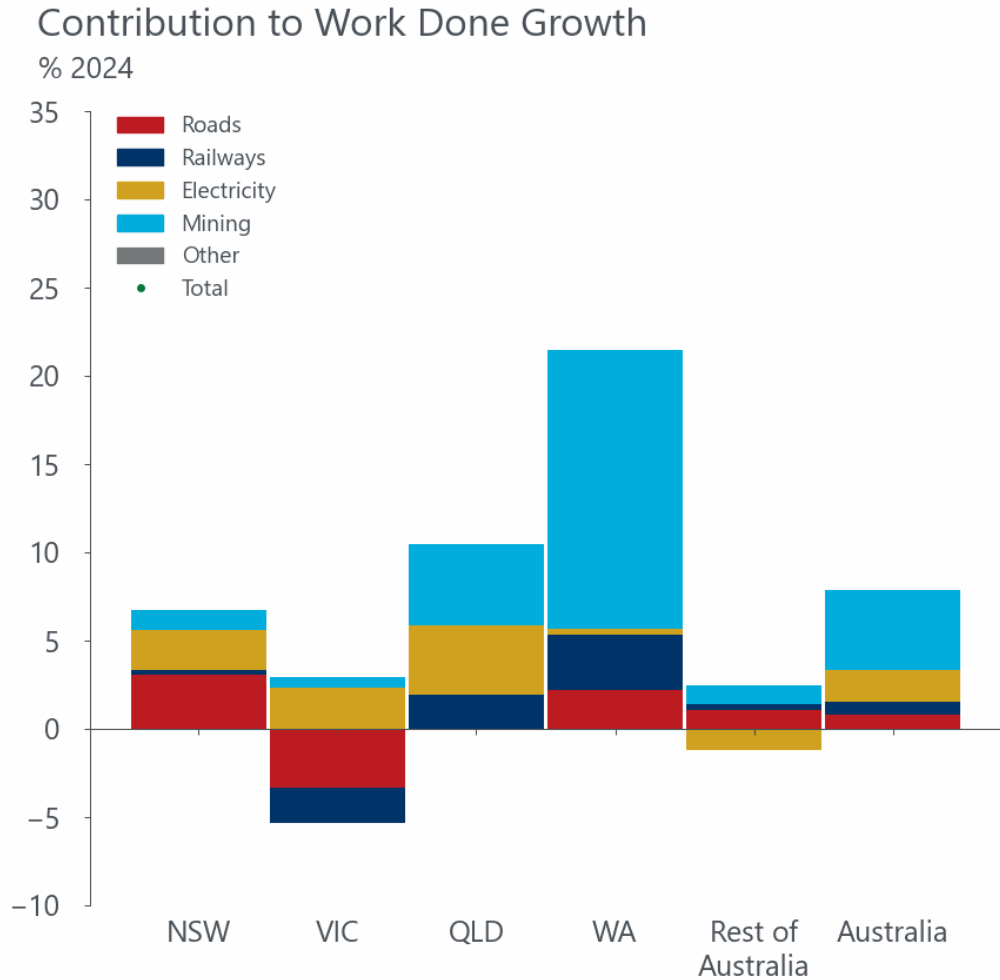
Source: ABS, Oxford Economics Australia

Activity grew strongly over FY24



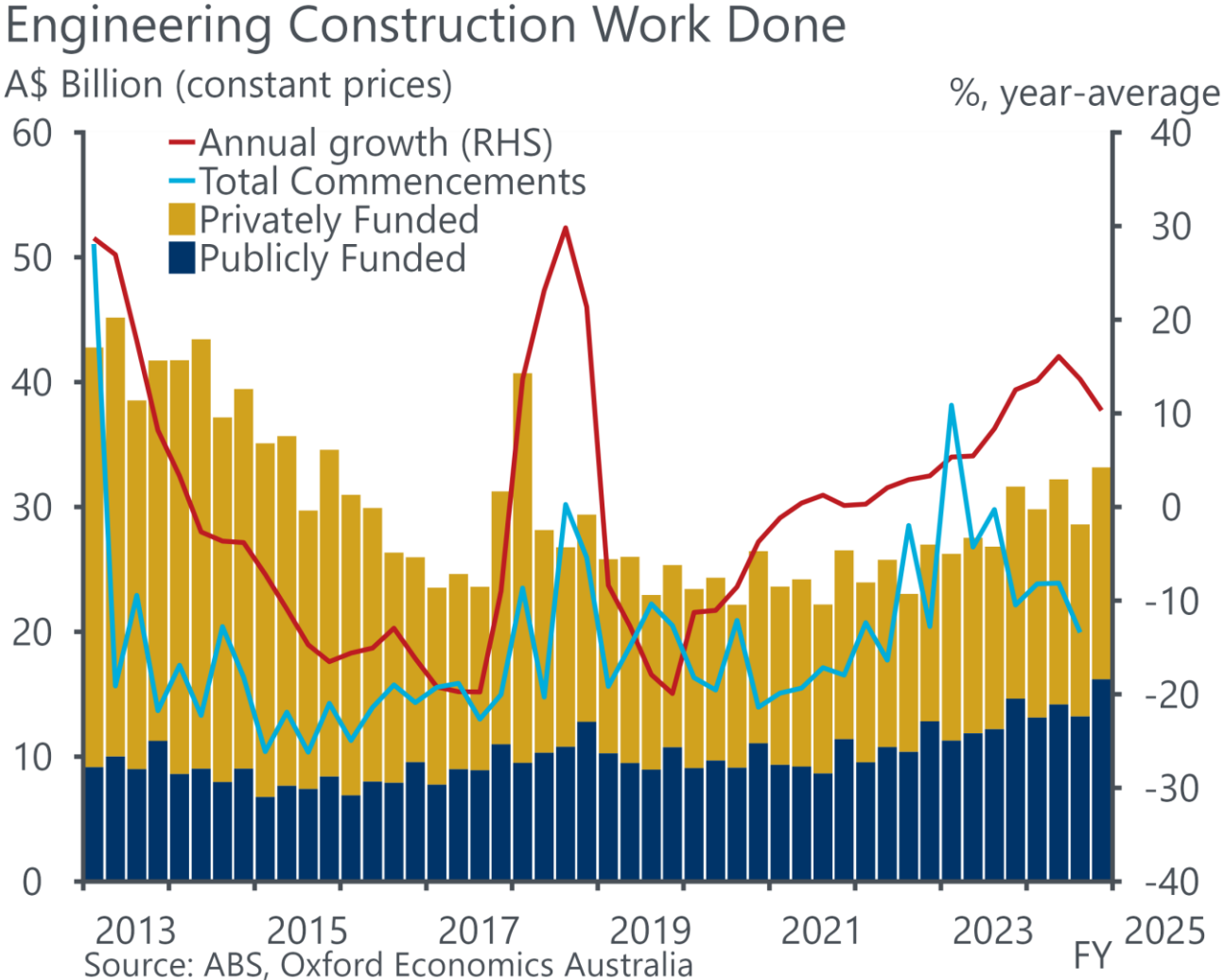
Source: ABS, Oxford Economics Australia

Activity grew strongly over FY24



Source: ABS, Oxford Economics Australia

Growth in government spending is slowing





What happens next?

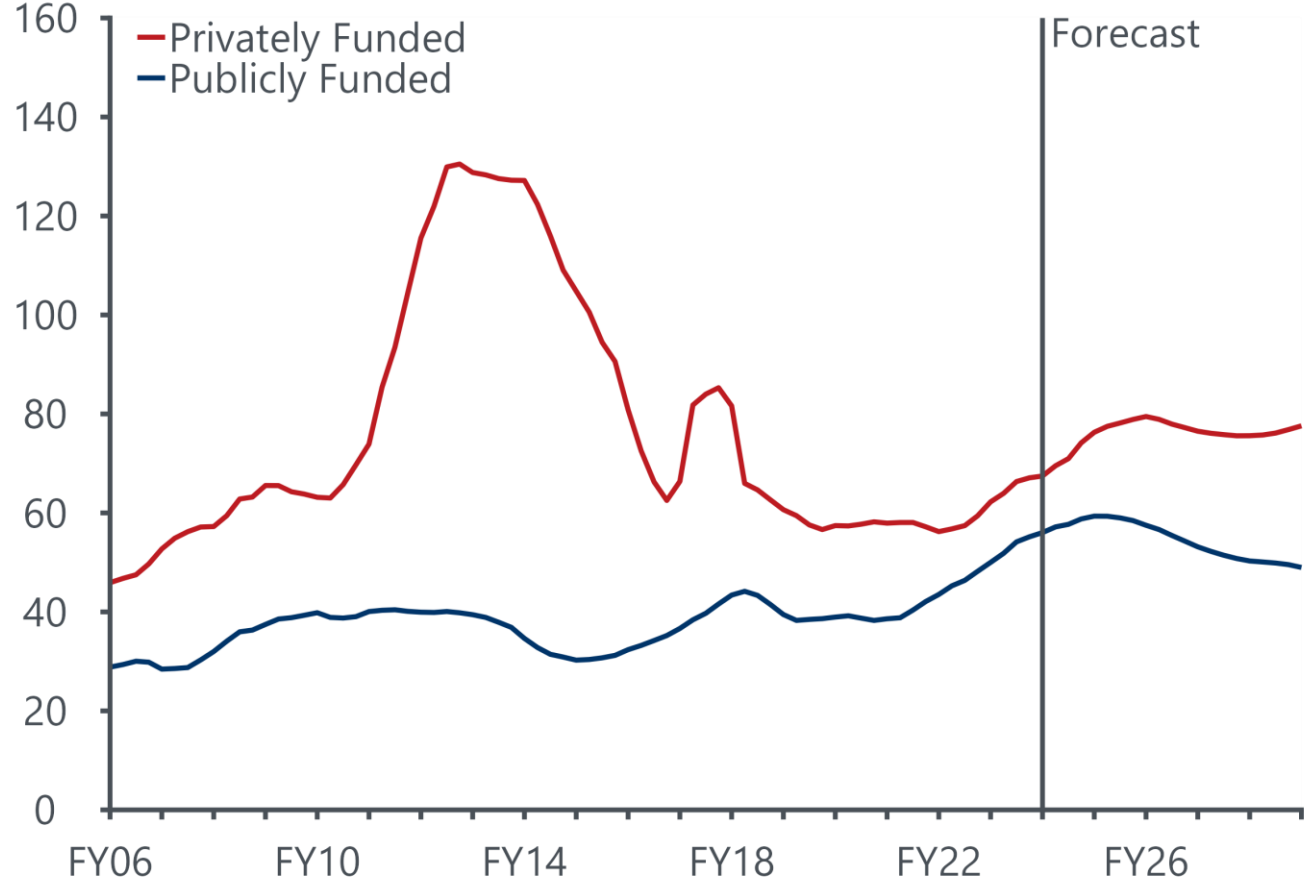


**Government
spending will peak**

Government spending is reaching a peak ...

Engineering Construction Work Done, AUS

A\$ Billion (constant prices)

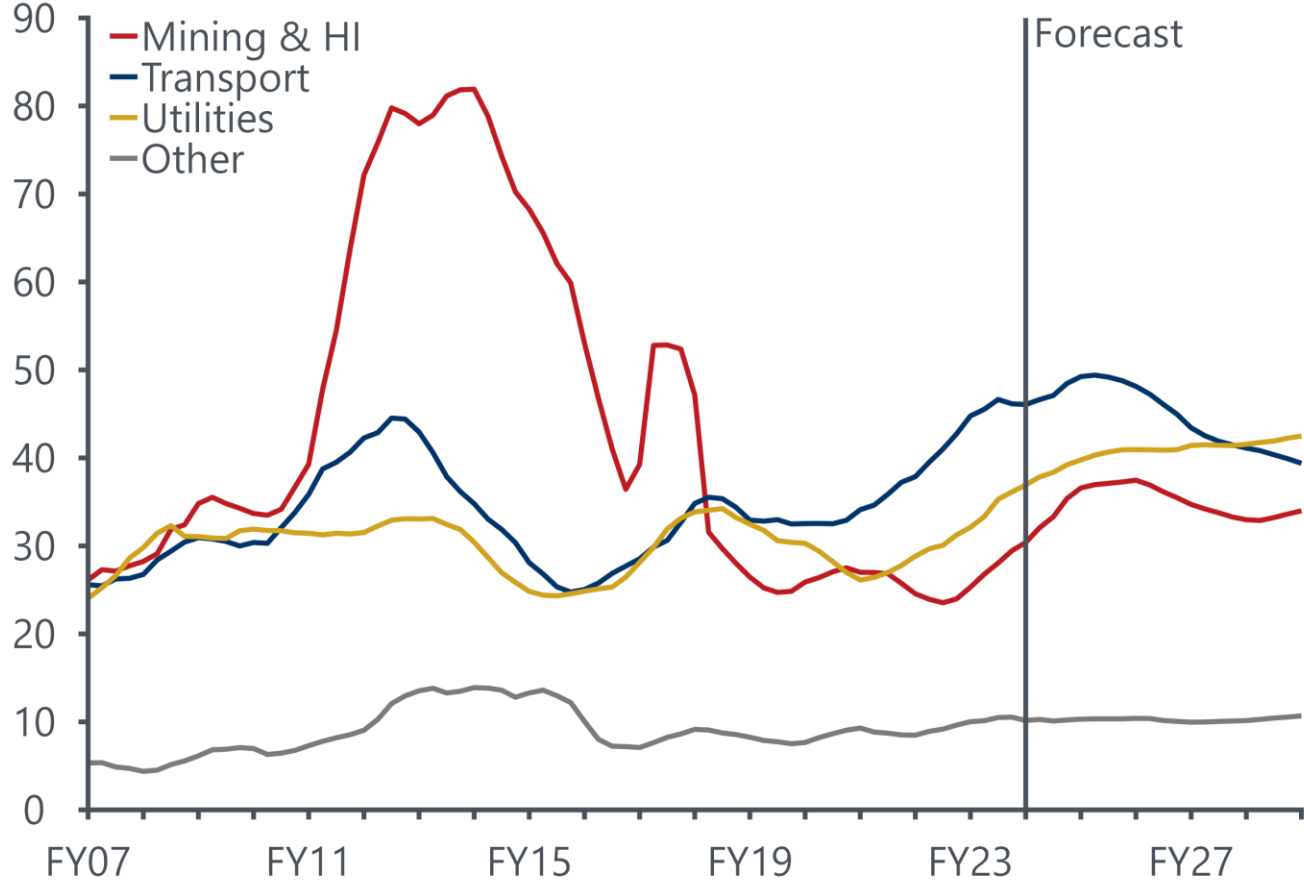


Source: Haver Analytics, Oxford Economics Australia

... as work on the transportation boom slows

Engineering Construction Work Done, AUS

A\$ Billion (constant prices)

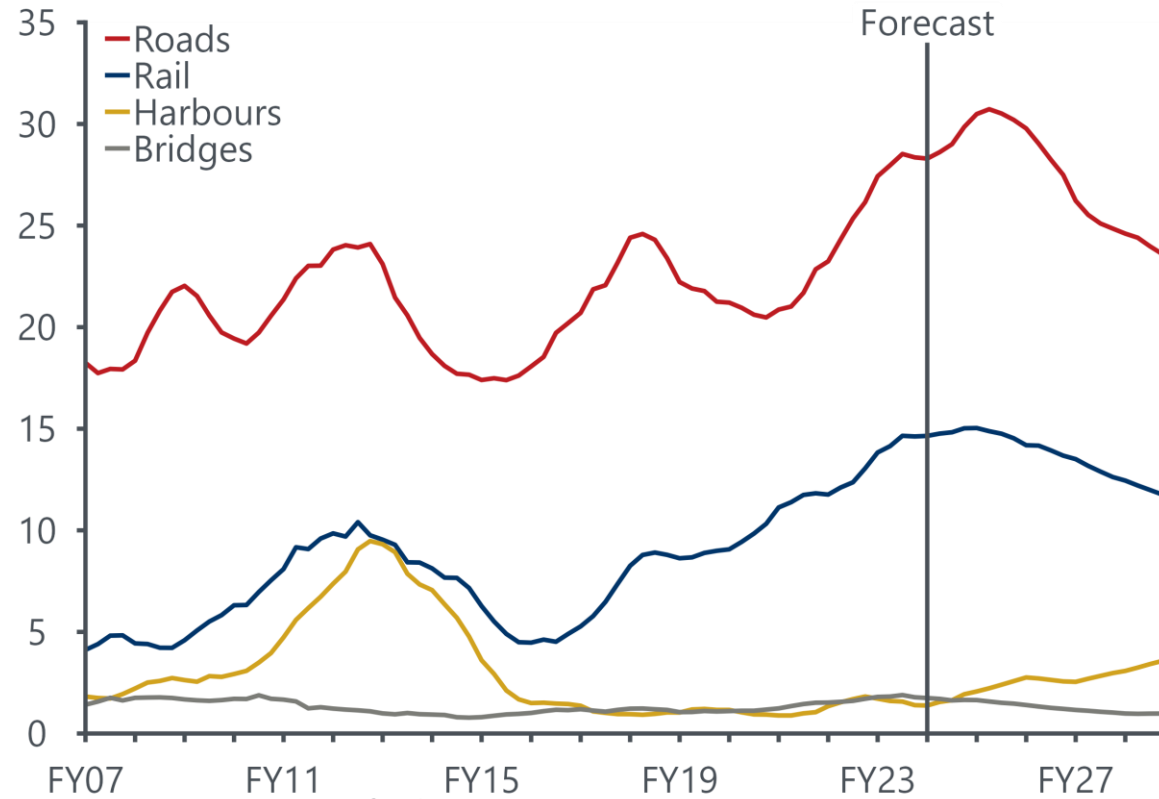


Source: ABS, Oxford Economics Australia

Military investment will be the next driver of growth ...

Transport Construction Work Done, AUS

A\$ Billion (constant prices)



Source: ABS, BIS Oxford Economics

Values to FY29

Roads projects:

- North East Link - Secondary Packages (VIC) - \$7.1bn
- North East Link - Primary Package (VIC) - \$6.6bn
- North-South Corridor - River Torrens to Darlington (SA) - \$6.3bn
- Western Harbour Tunnel (NSW) - \$4.6bn
- M6 Stages 2 & 3: Kogarah to Loftus (NSW) - \$4.0bn
- Melbourne Airport - Third Runway (VIC) - \$1.3bn
- Coffs Harbour Bypass (NSW) - \$1.2bn
- Pacific Motorway (M1) - Extension (NSW) - \$1.1bn
- Rockhampton Ring Road (QLD) - \$1.0bn

Rail projects:

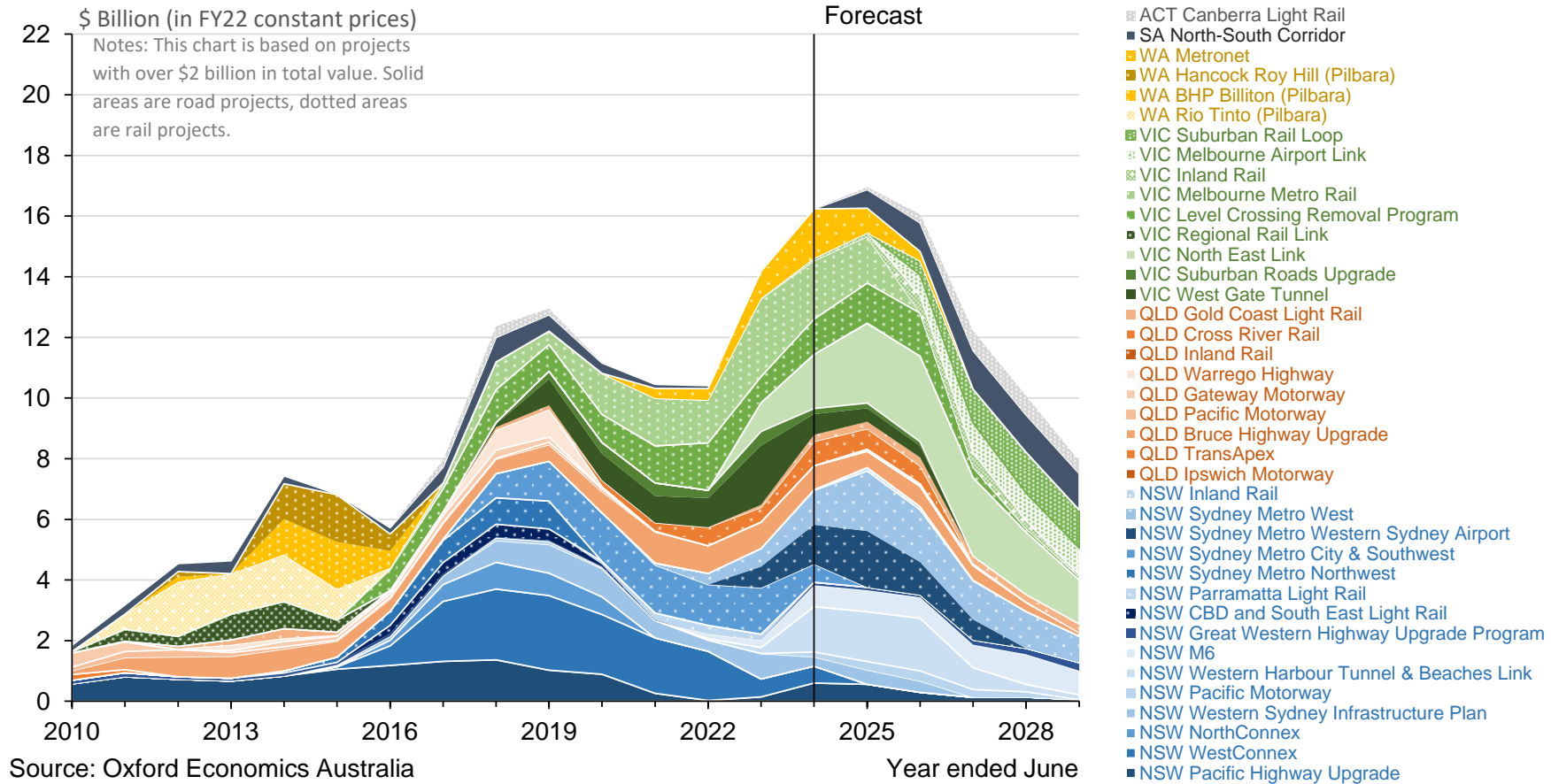
- Suburban Rail Loop East (VIC) - \$5.1bn
- Sydney Metro - Western Sydney Airport (NSW) - \$4.2bn
- Melbourne Airport Rail Link (VIC) - \$4.2bn
- Level Crossing Removal Program - Rail Component (VIC) - \$3.9bn
- Logan and Gold Coast Faster Rail (QLD) - \$2.8bn
- Inland Rail - Narromine to Narrabri (NSW) - \$2.4bn
- Gold Coast Heavy Rail Extension (QLD) - \$2.1bn
- Melbourne Metro Rail (VIC) - \$1.7bn
- Direct Sunshine Coast Rail Line - Stage 1 (QLD) - \$1.6bn
- Canberra Light Rail Stage 2B (ACT) - \$1.5bn
- Cross River Rail (QLD) - \$1.5bn

Harbour Projects:

- Westport (Fremantle port replacement) - \$2.4bn
- Assumed Defence Spending (WA) - \$2.0bn
- Osborne Submarine Construction Yard - \$950mn

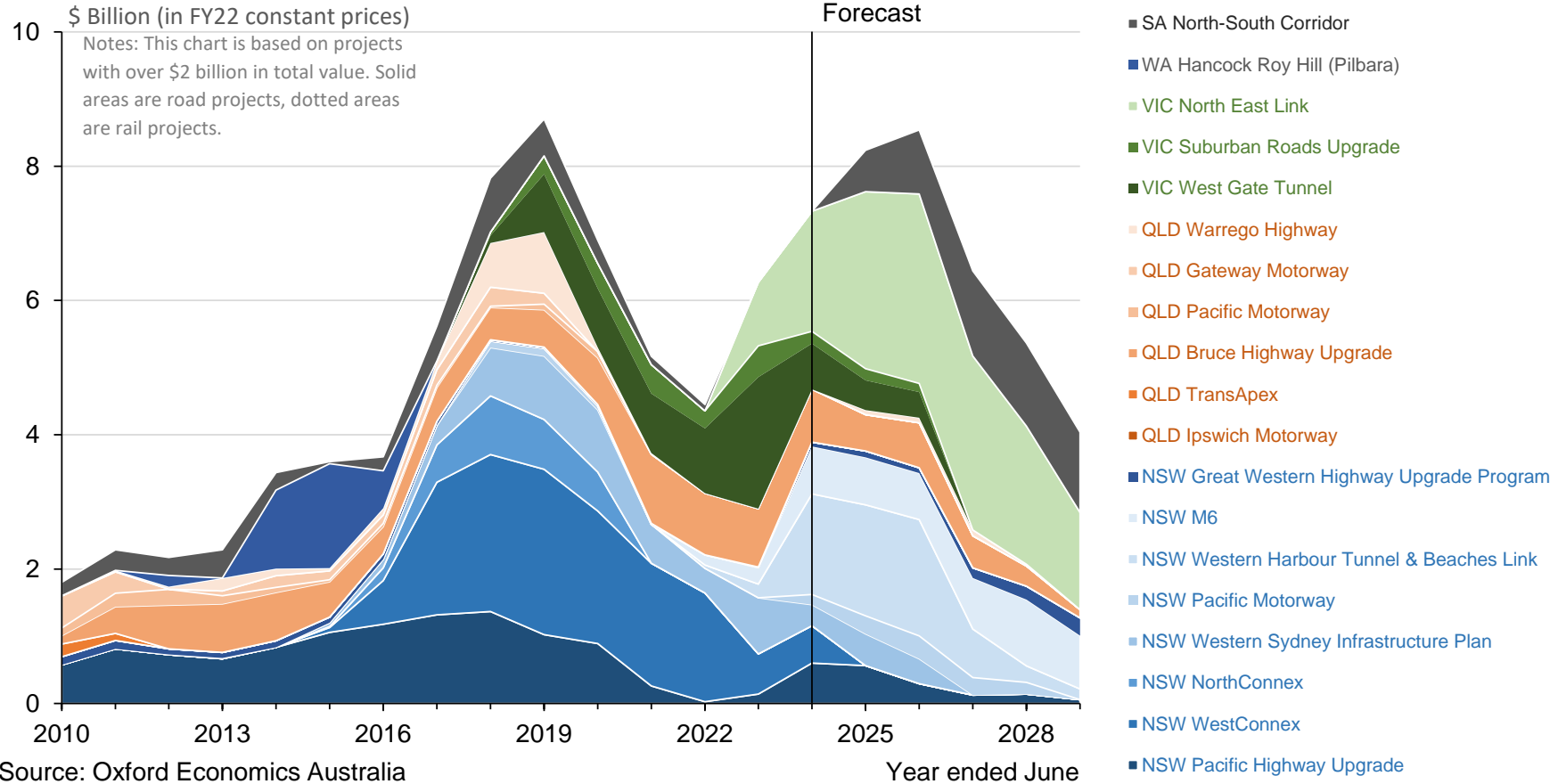
... after a final step-up in major project work

Major Transport Projects (over \$2 billion)



North-South Corridor is the last of the major road projects

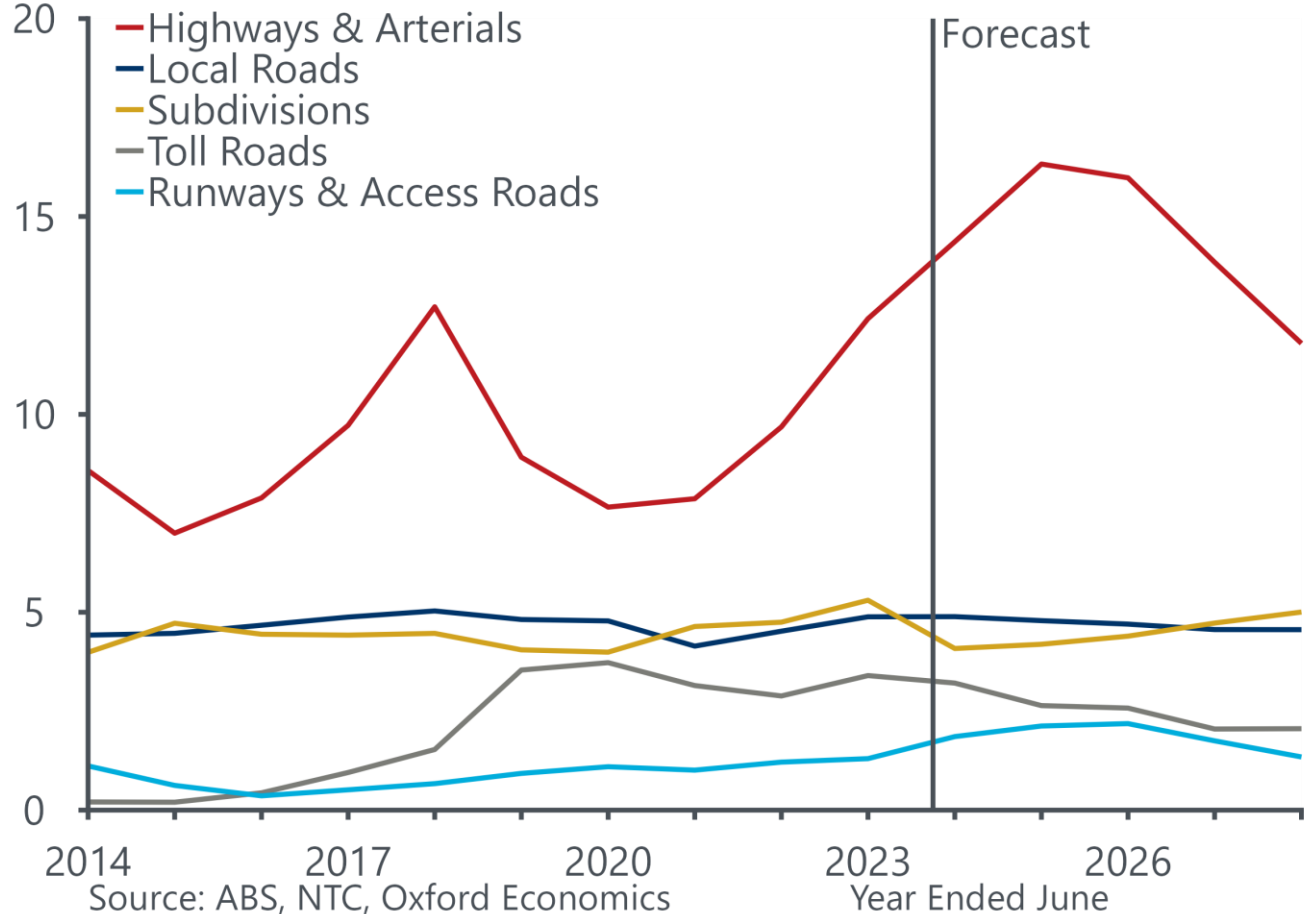
Major Road Projects (over \$2 billion)



Not all types of road construction will face a downturn

Road Construction by Category: Australia

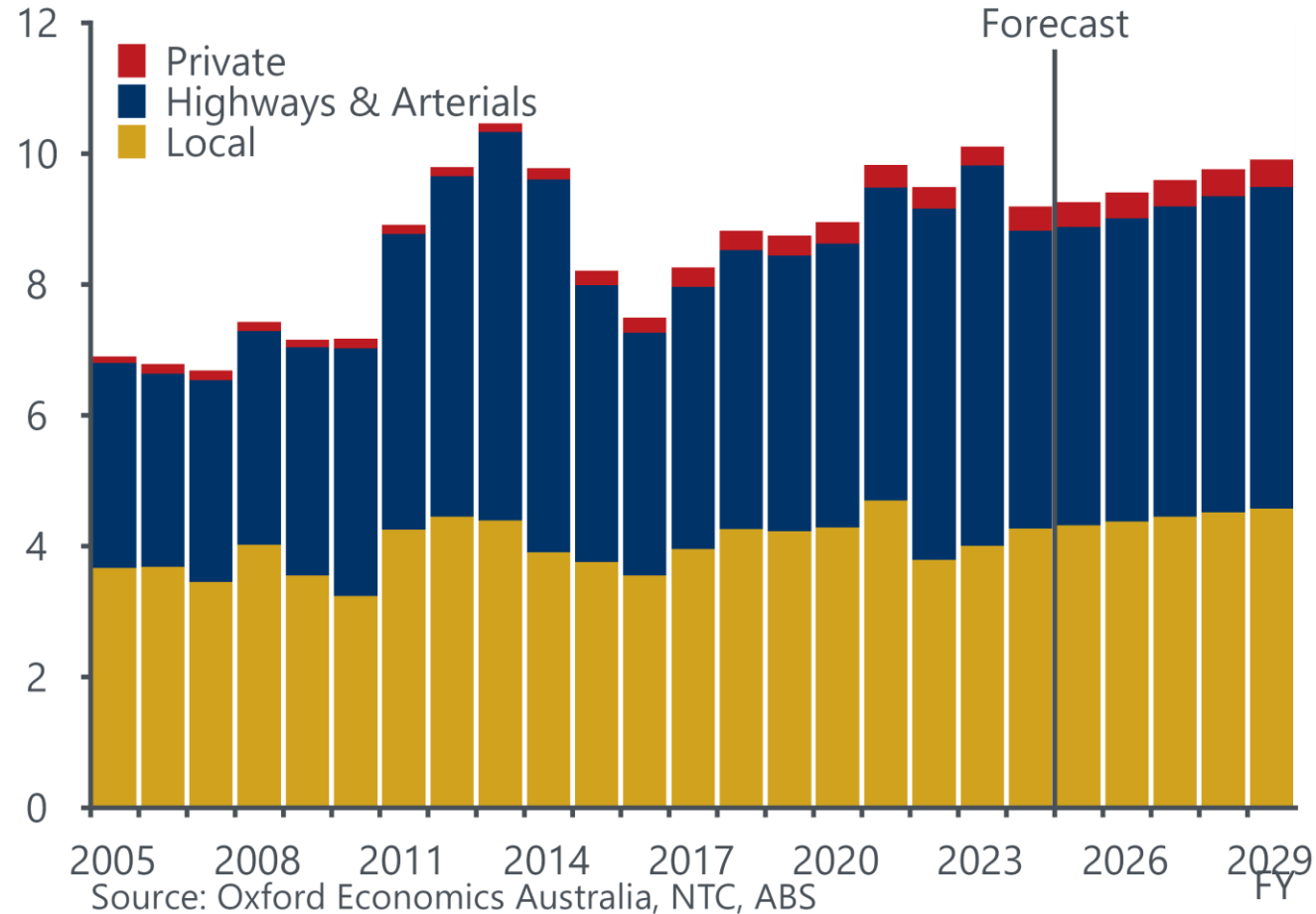
\$bn (constant prices)



Road maintenance spending will continue to grow

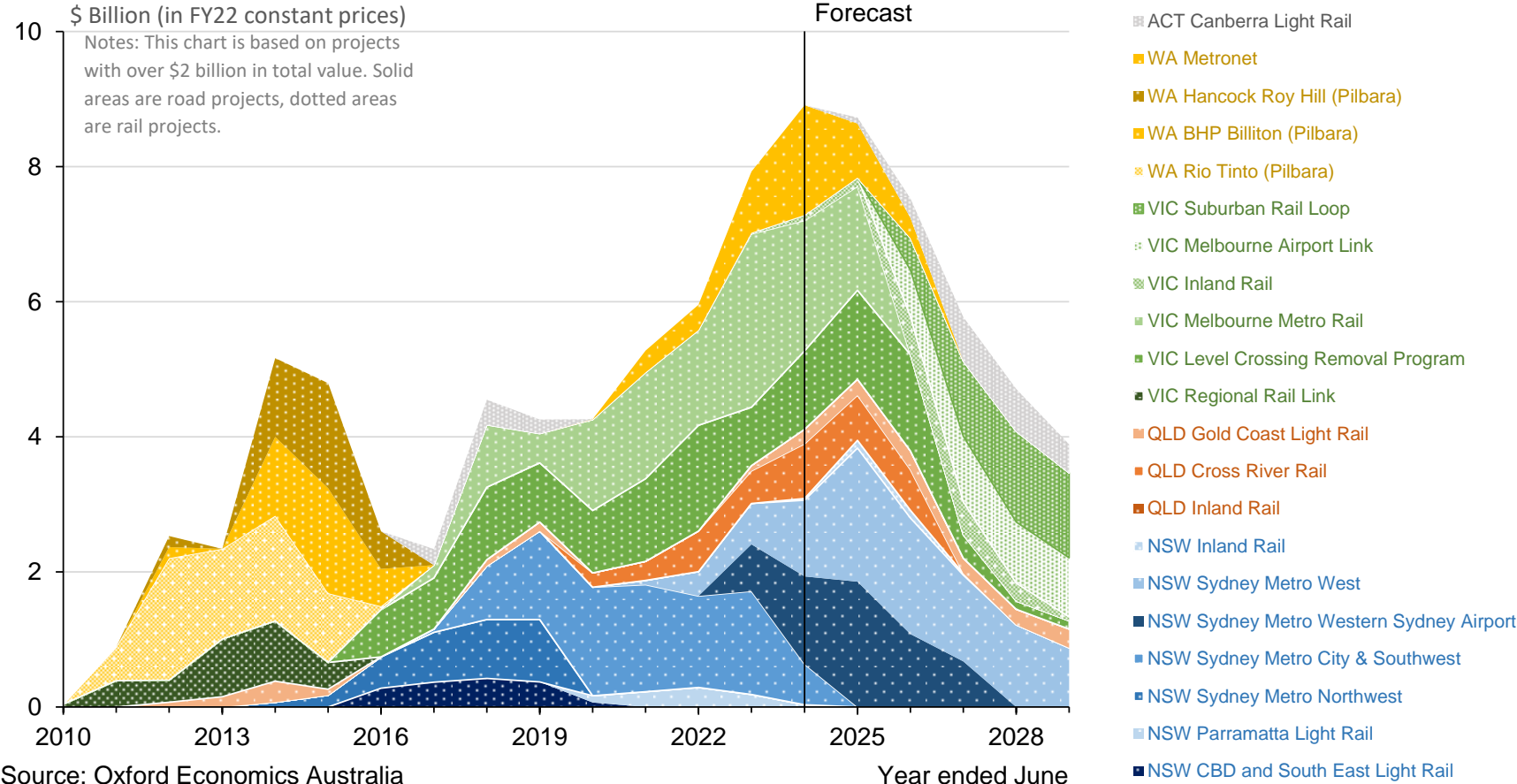
Total Road Maintenance

\$bn, constant prices

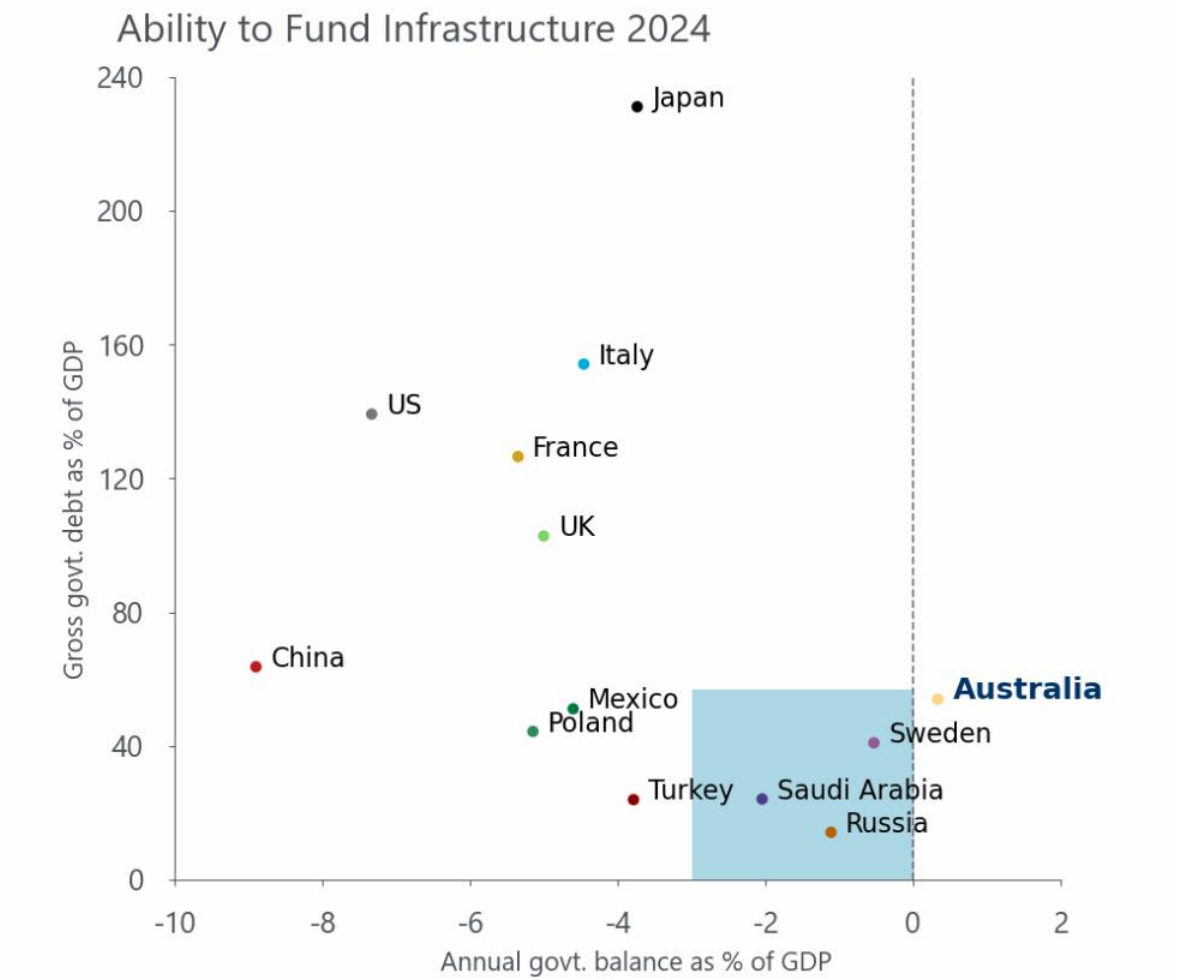


Work on rail major projects has peaked

Major Rail Projects (over \$2 billion)

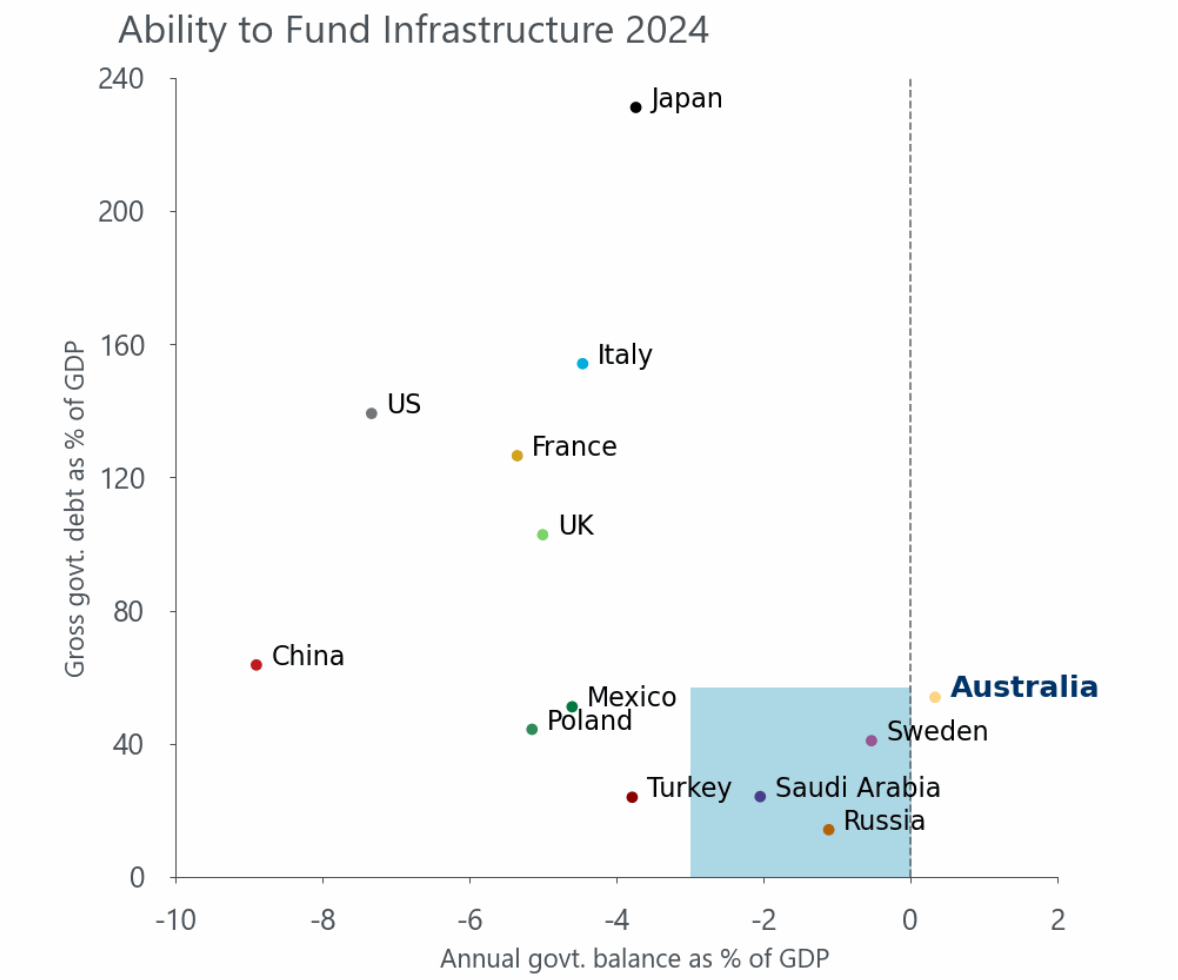


Federal government has capacity to invest more...



Source: Haver Analytics, Oxford Economics

Federal government has capacity to invest more...

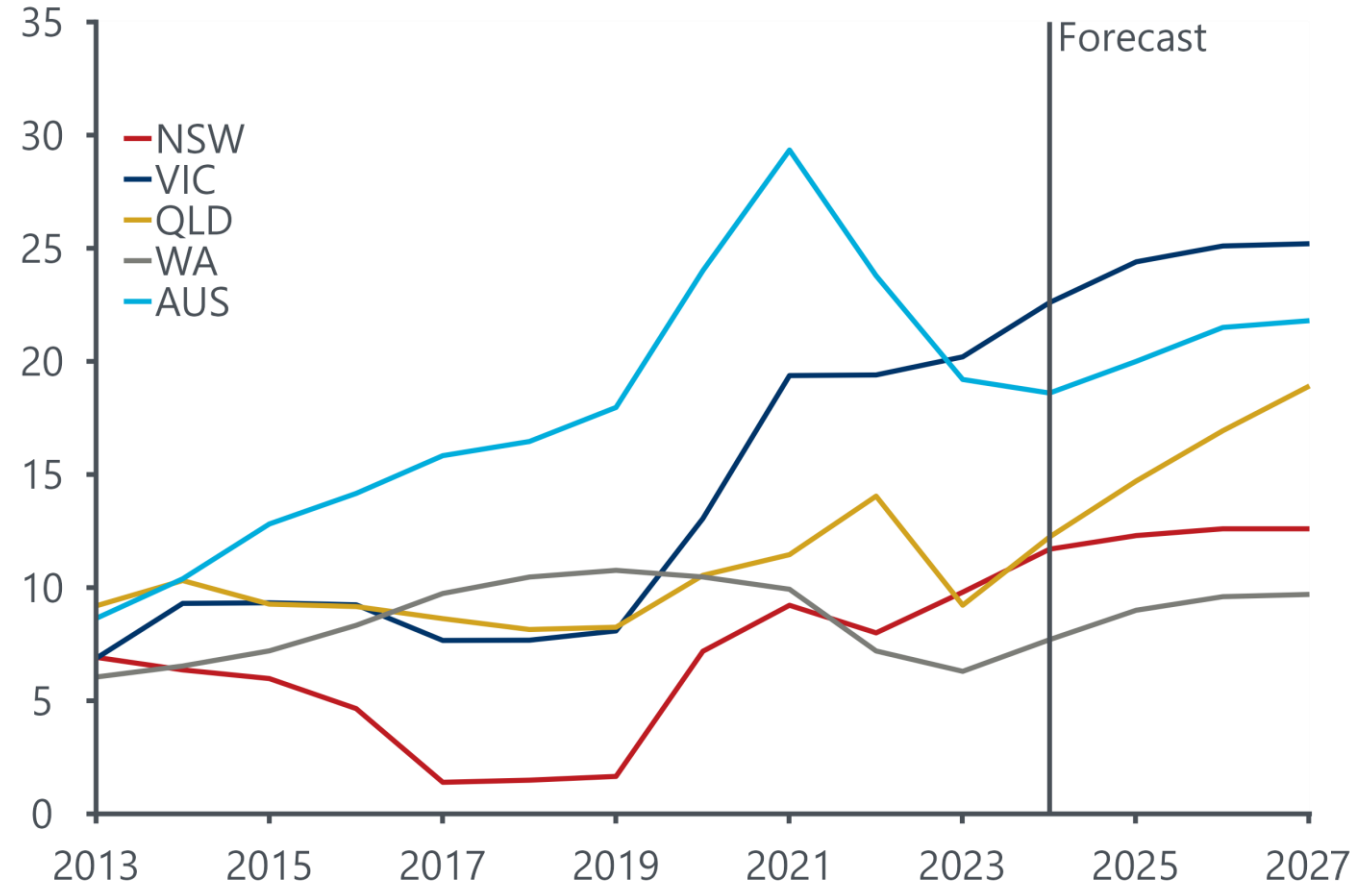


Source: Haver Analytics, Oxford Economics

... but some states may struggle to invest

Federal & State Government Debt

% Share of GSP/GDP



Source: Haver Analytics, Oxford Economics



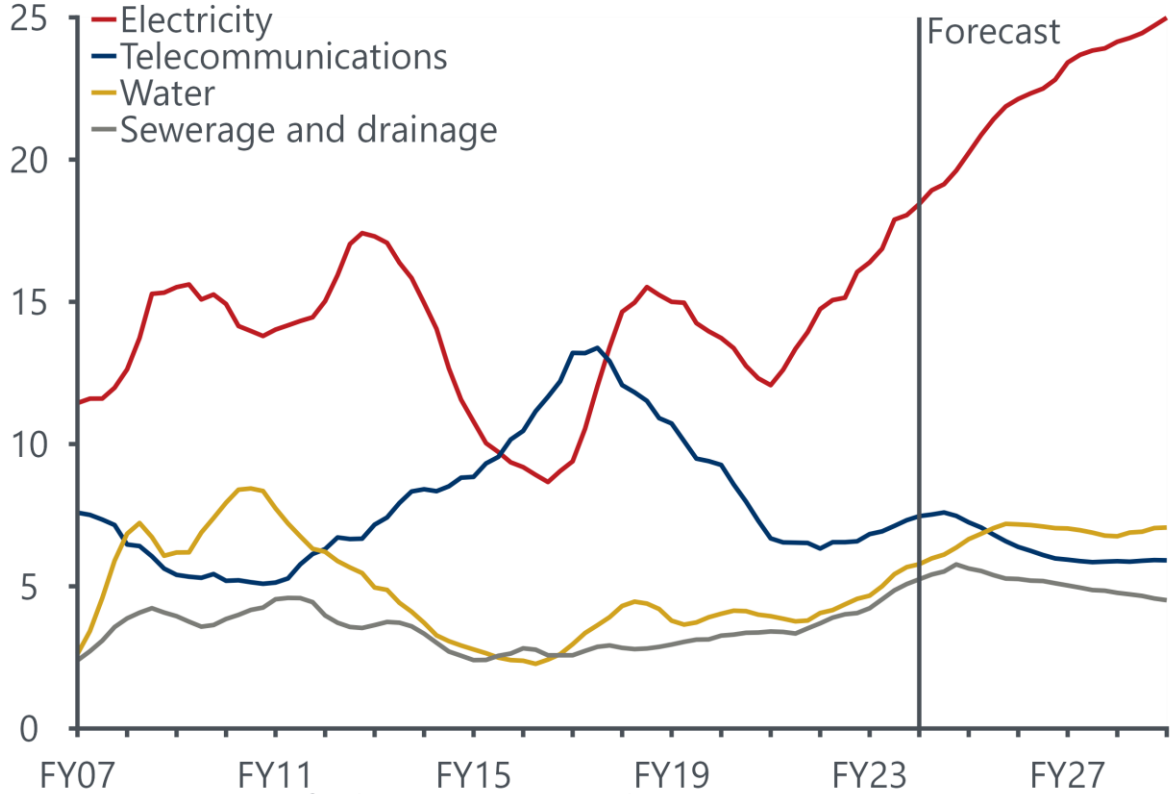
Transition to utilities

Work is transitioning from Transportation to Utilities

Utilities Construction Work Done, AUS

Values to FY29

A\$ Billion (constant prices)



Source: ABS, Oxford Economics Australia

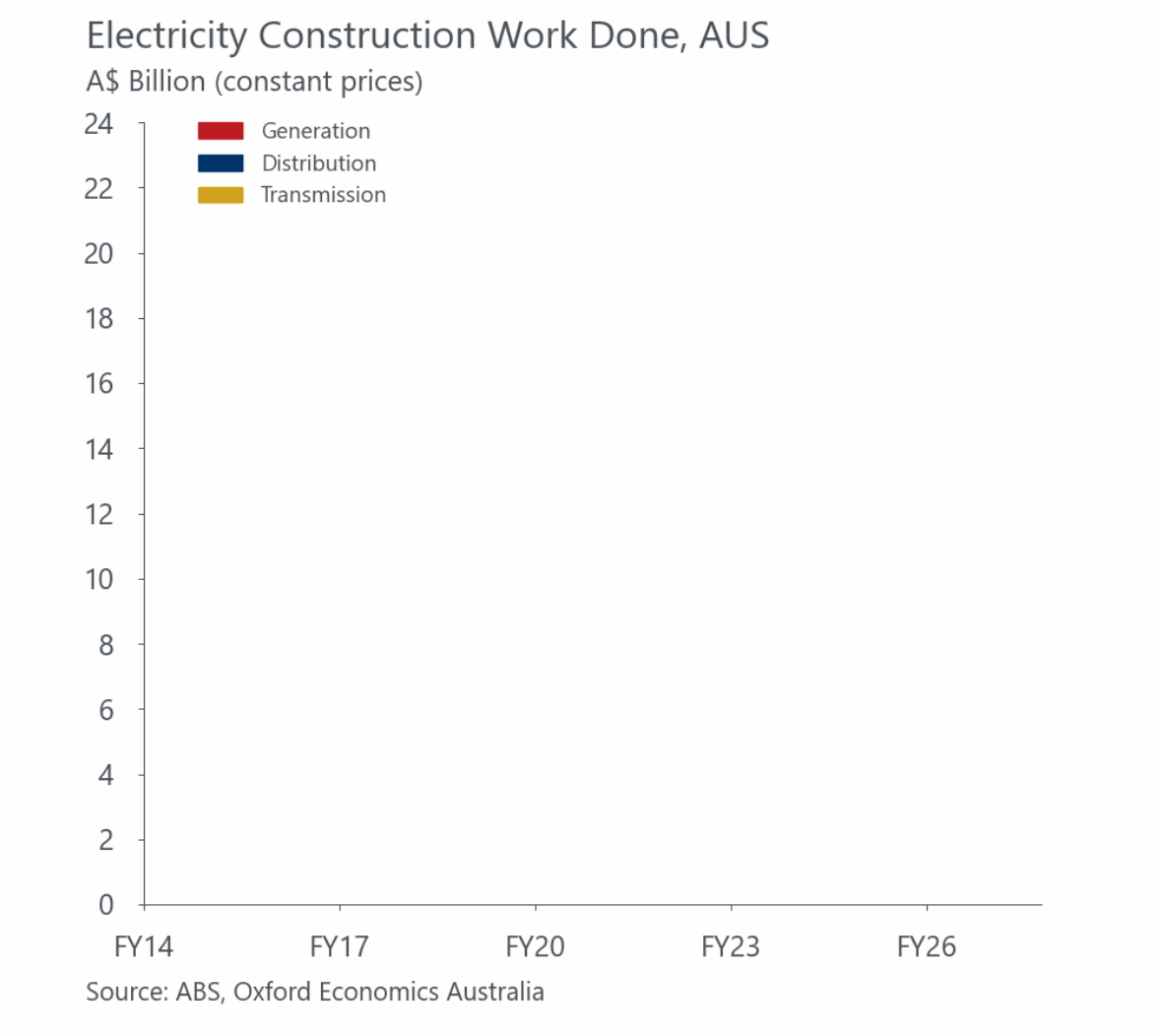
- Electricity projects:**
- Snowy Hydro Pumped Storage Expansion (NSW) - \$5.6bn
 - Gippsland Offshore Wind Farm Zone (VIC) - \$4.5bn
 - Hunter offshore wind farm zone (NSW) - \$3.3bn
 - Borumba Pumped Hydro Project (QLD) - \$3.2bn
 - CopperString 2.0 Transmission Line (QLD) - \$1.8bn
 - Illawarra Offshore wind zone (NSW) - \$1.8bn

- Telecommunications projects:**
- National Broadband Network (NSW) - \$305mn
 - National Broadband Network (VIC) - \$240mn
 - National Broadband Network (QLD) - \$145mn
 - National Broadband Network (WA) - \$100mn

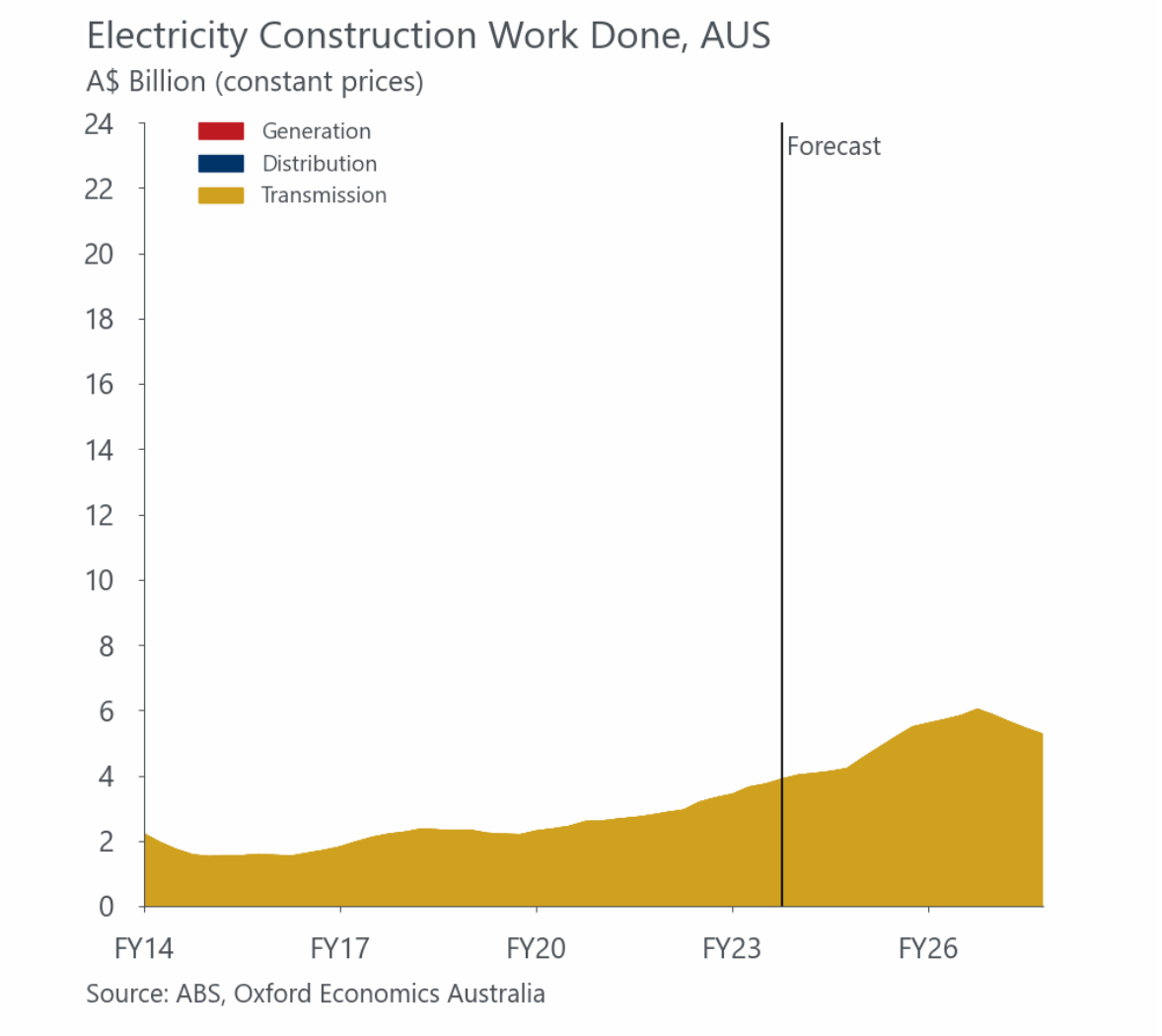
- Water projects:**
- Perth Third Desalination Plant (WA) - \$1.9bn
 - Gladstone Desalination Plant (QLD) - \$1.6bn
 - Wyaralong Water Treatment Plant (QLD) - \$800mn
 - Paradise Dam Improvement Project (QLD) - \$720mn
 - Burdekin Falls Dam – Raising (QLD) - \$564mn
 - Fitzroy to Gladstone Pipeline Project (QLD) - \$474mn
 - Somerset Dam Upgrade (QLD) - \$450mn
 - Wivenhoe Dam Improvement Project (QLD) - \$375mn

- Sewerage projects:**
- Upper South Creek Water Recycling Centre (NSW) - \$756mn
 - Melbourne Western Treatment Plant Upgrade (VIC) - \$484mn
 - North West Treatment Hub upgrades (NSW) - \$408mn

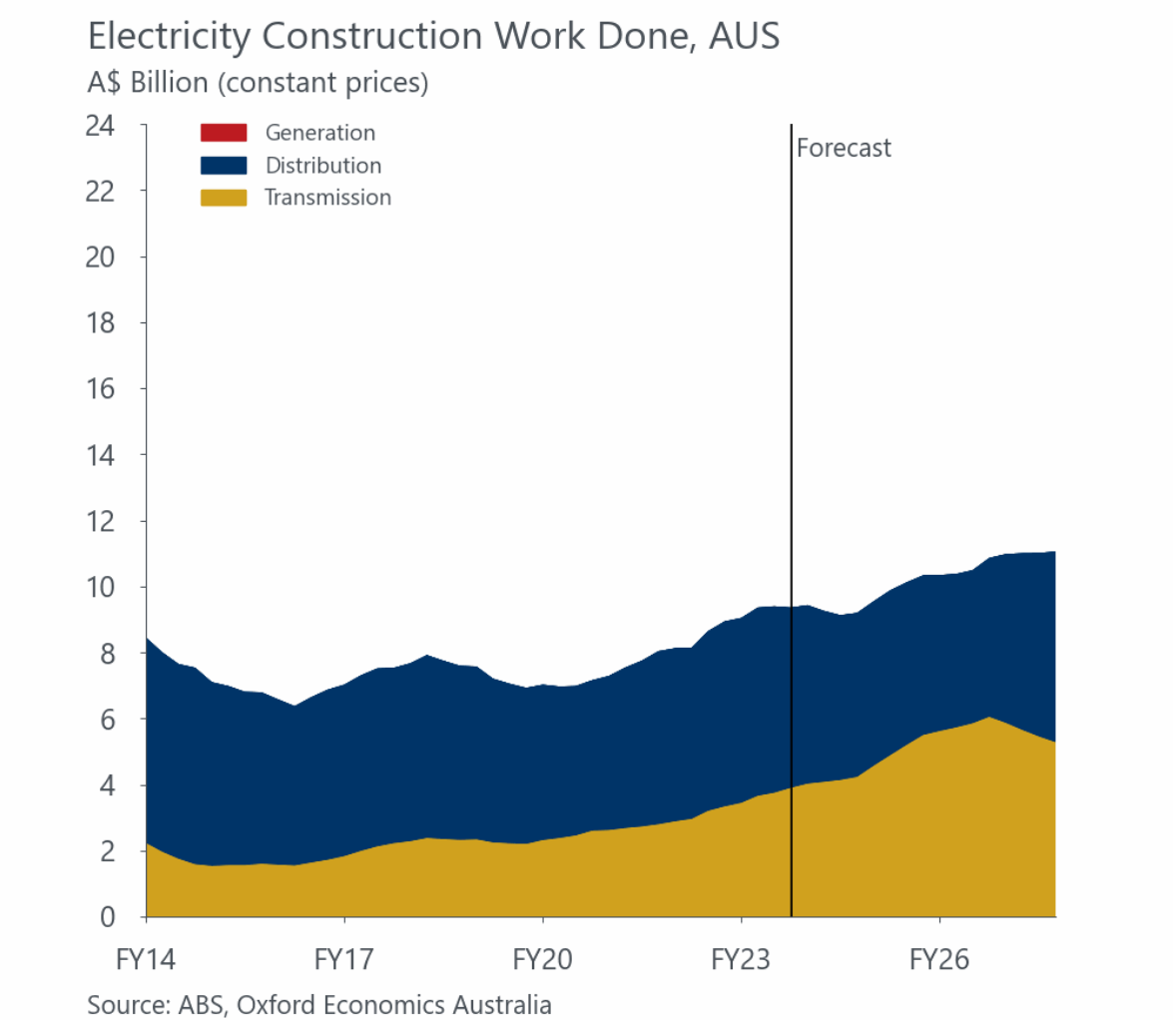
Electricity construction work to reach record highs ...



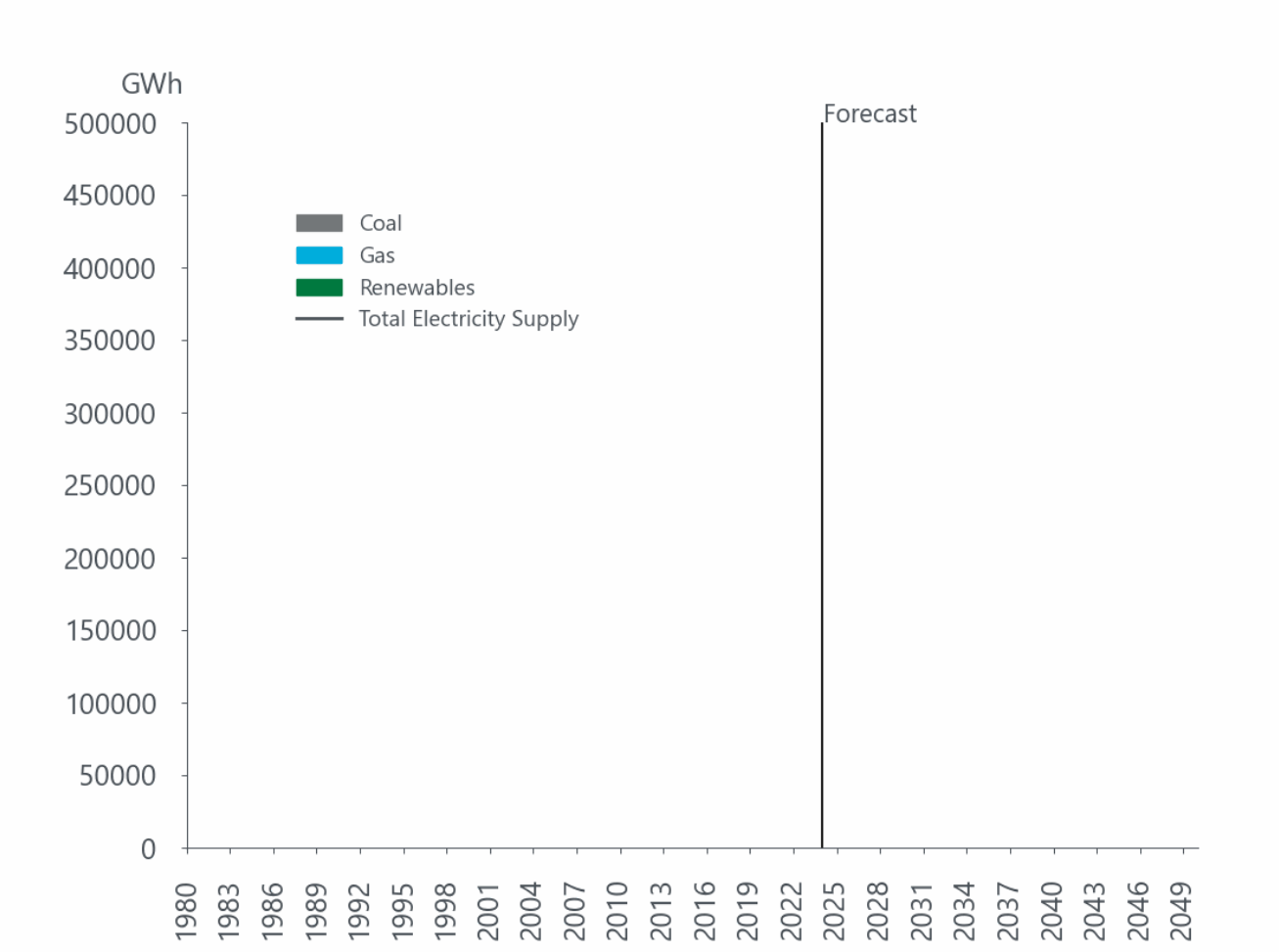
Electricity construction work to reach record highs ...



Electricity construction work to reach record highs ...



... but not high enough to hit our 2030 climate target

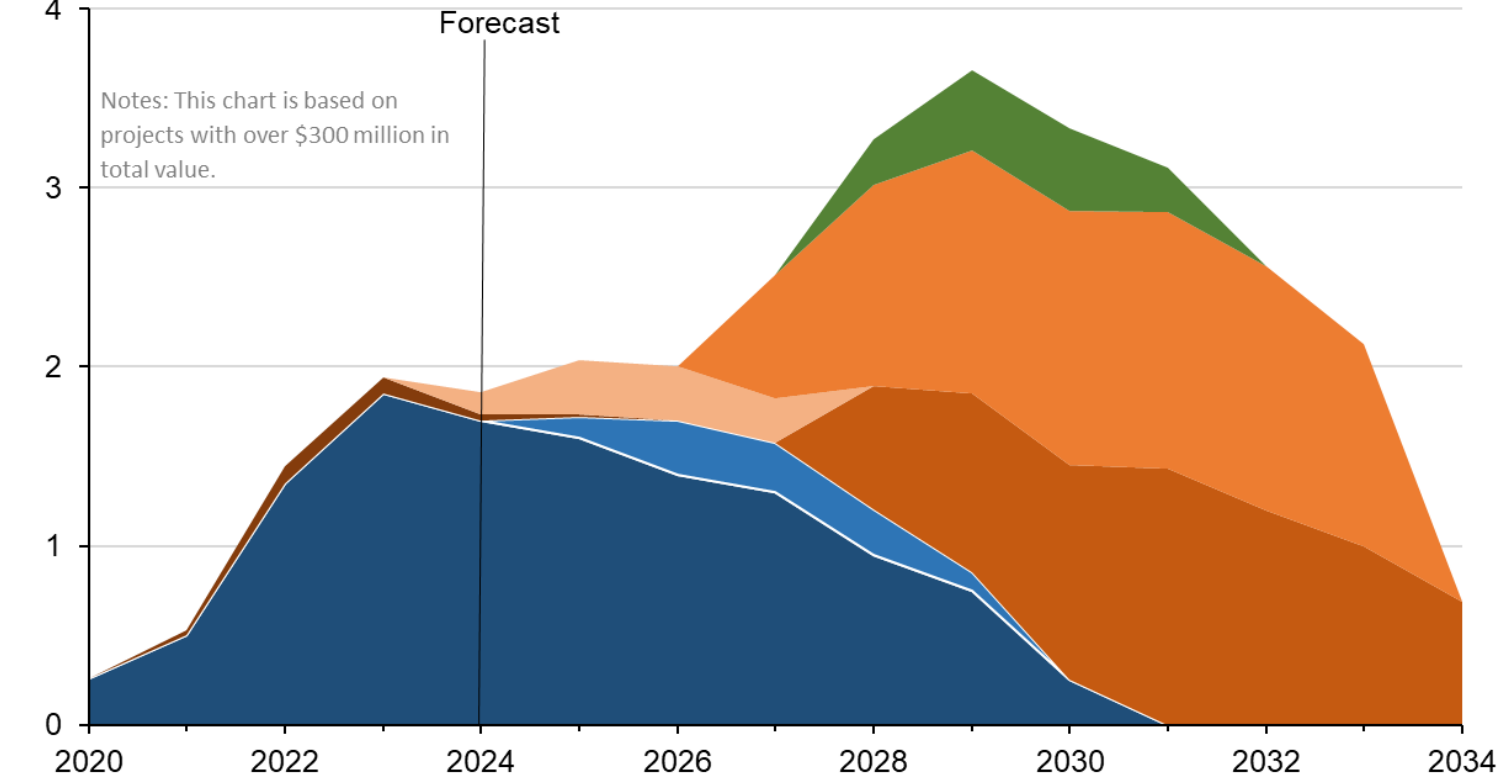


Source: Oxford Economics Australia

Queensland has a number of large hydro projects

Major Hydro projects (over \$300 million)

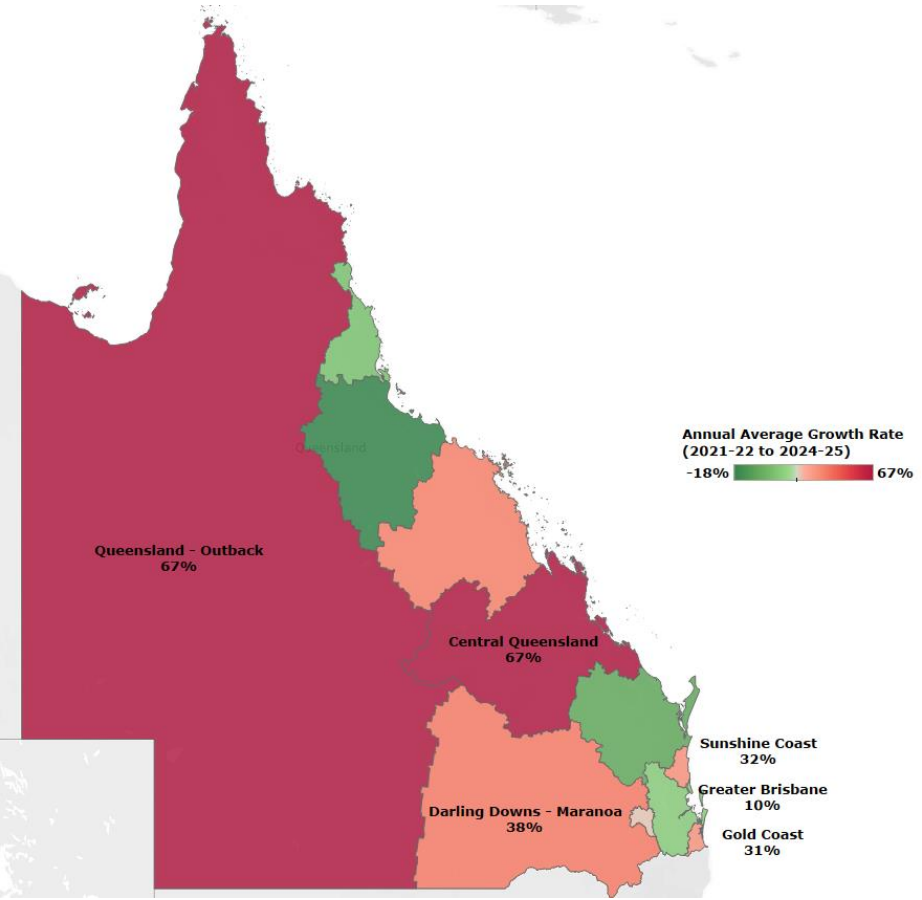
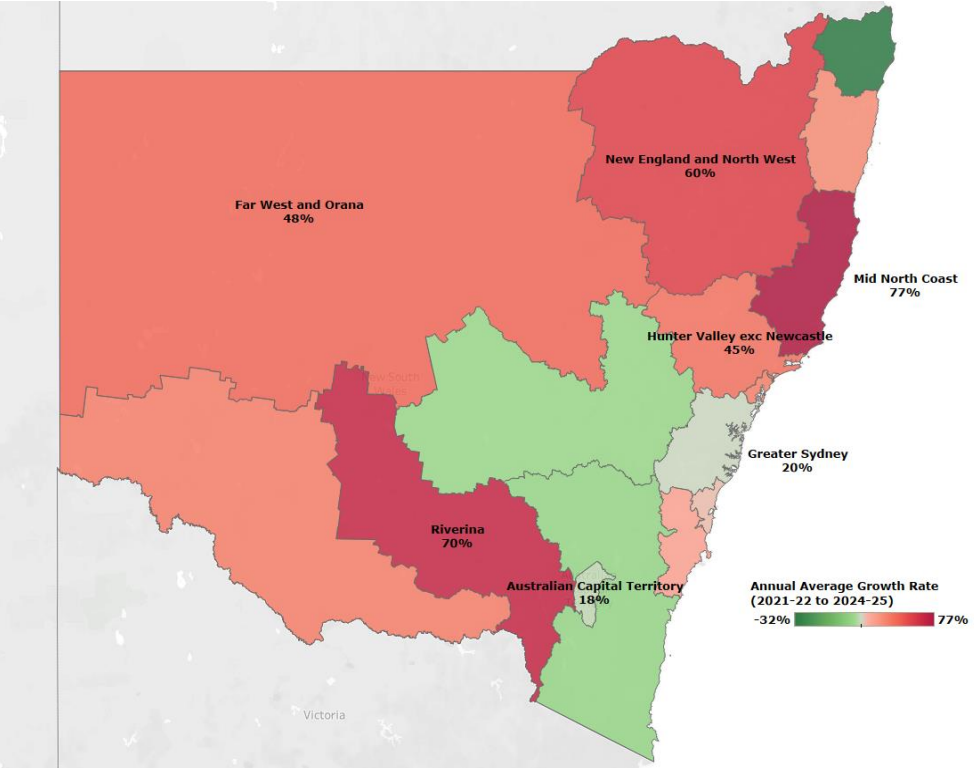
\$ Billion (in FY22 constant prices)



- TAS Lake Cethana
- QLD Borumba
- QLD Big T
- QLD Kidston
- QLD Pioneer-Burdekin
- NSW Oven Mountain
- NSW Snowy Hydro 2.0

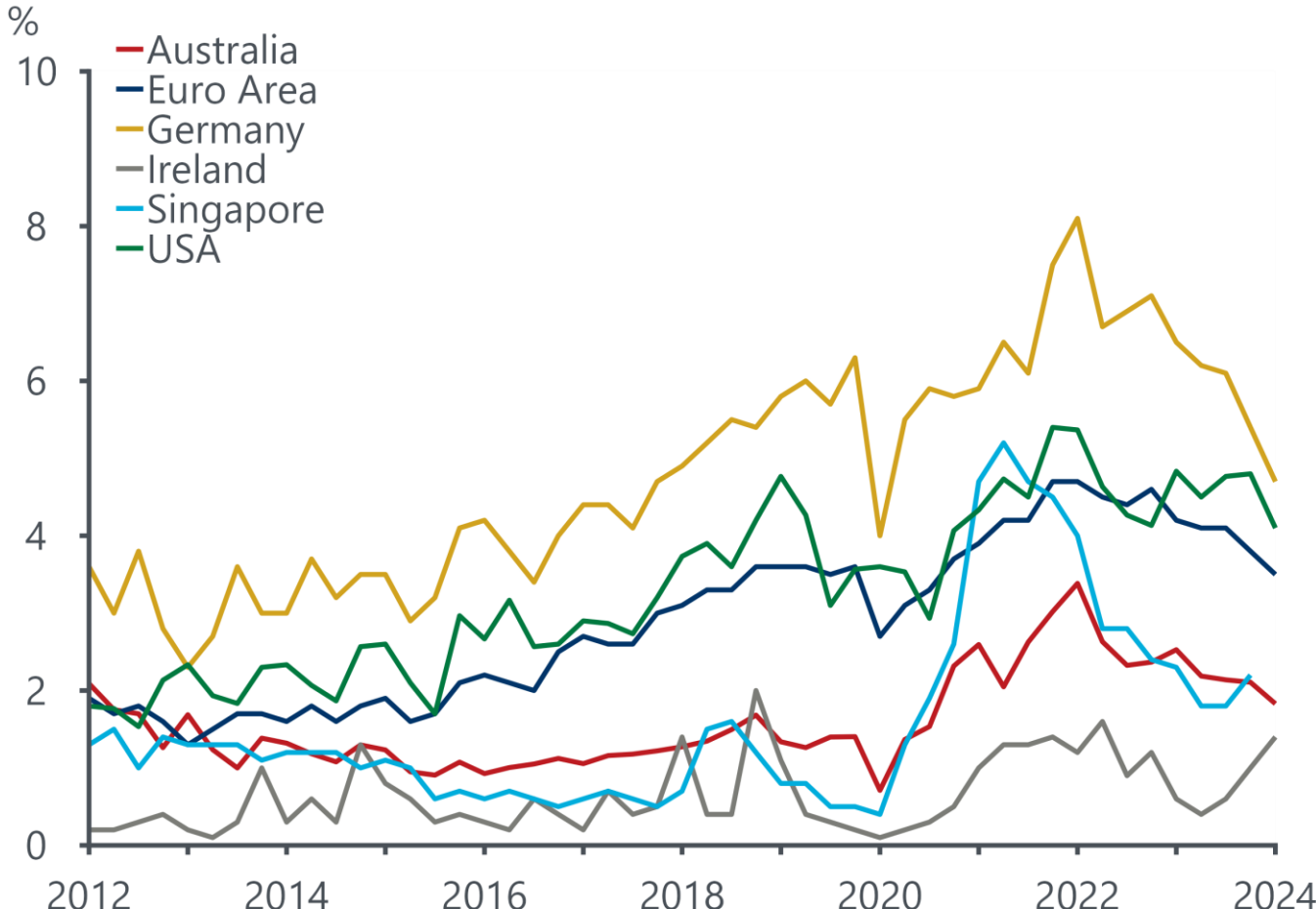
Source: Oxford Economics Australia

Work is moving into regional areas ...



... while the global industry struggles with labour shortages

Job vacancy rate, construction sector



Source: Haver Analytics, Oxford Economics

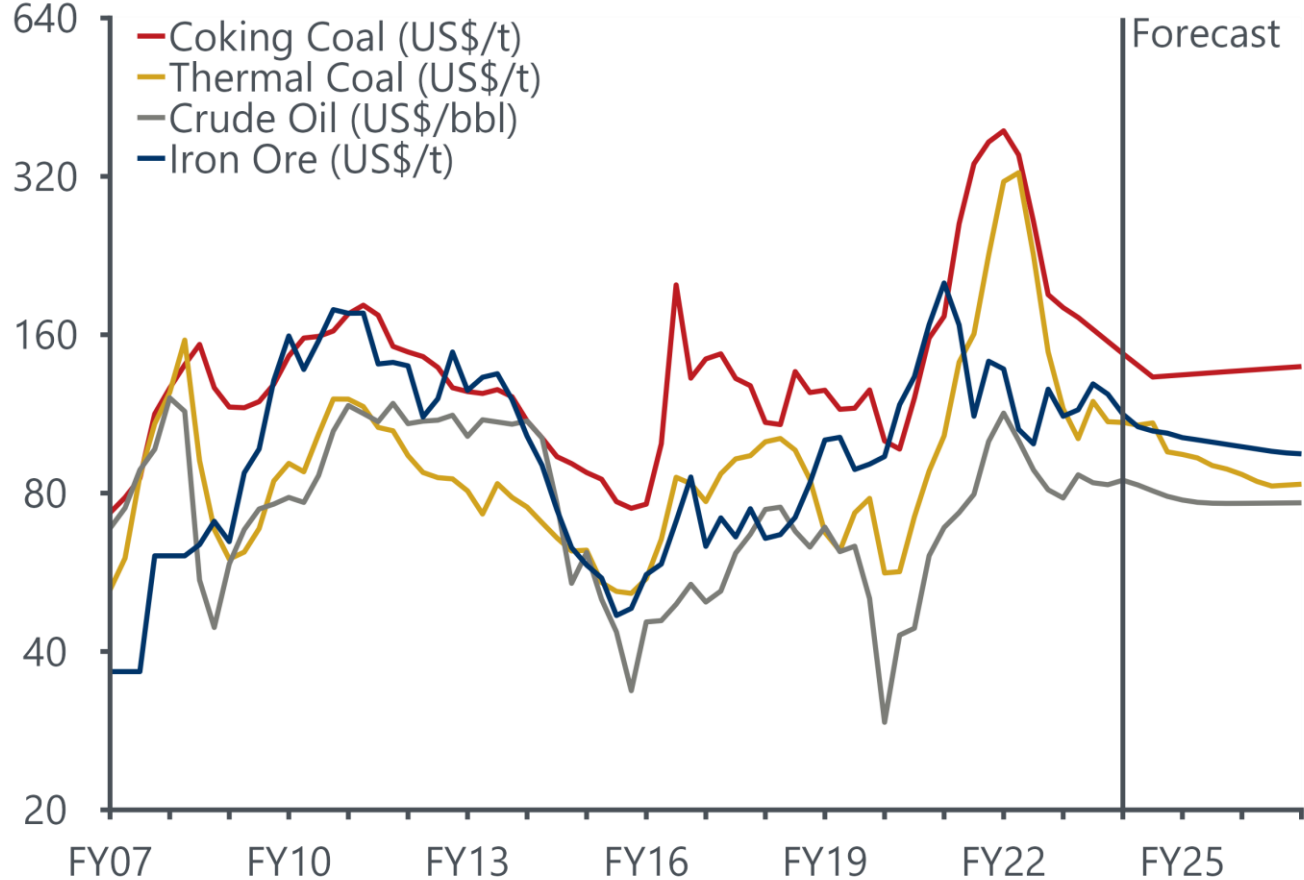


Mining and the move to net-zero

Global energy have fallen over the past year ...

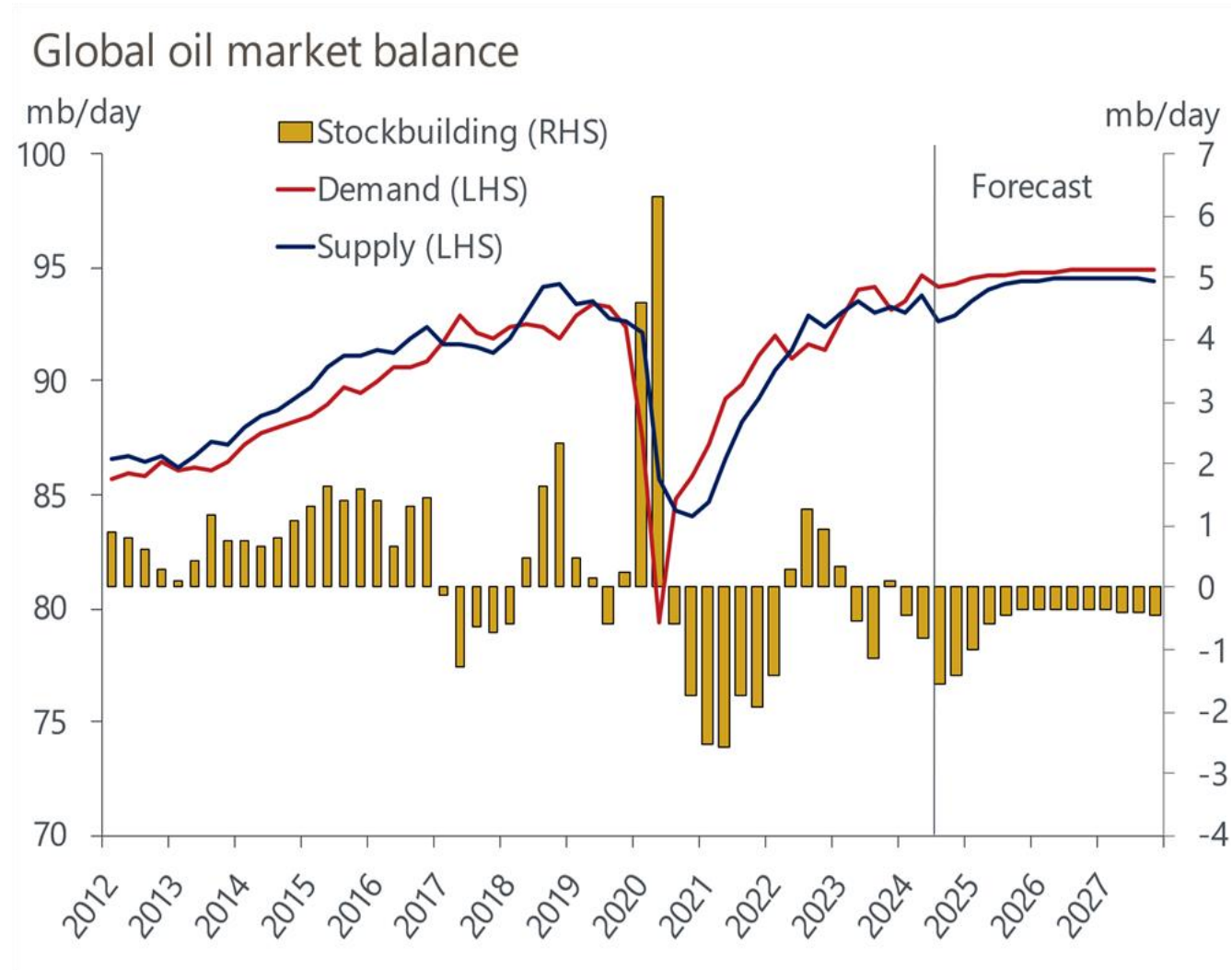
Commodity Prices - Oil, Coal and Iron Ore

Quarterly Average Price, log scale

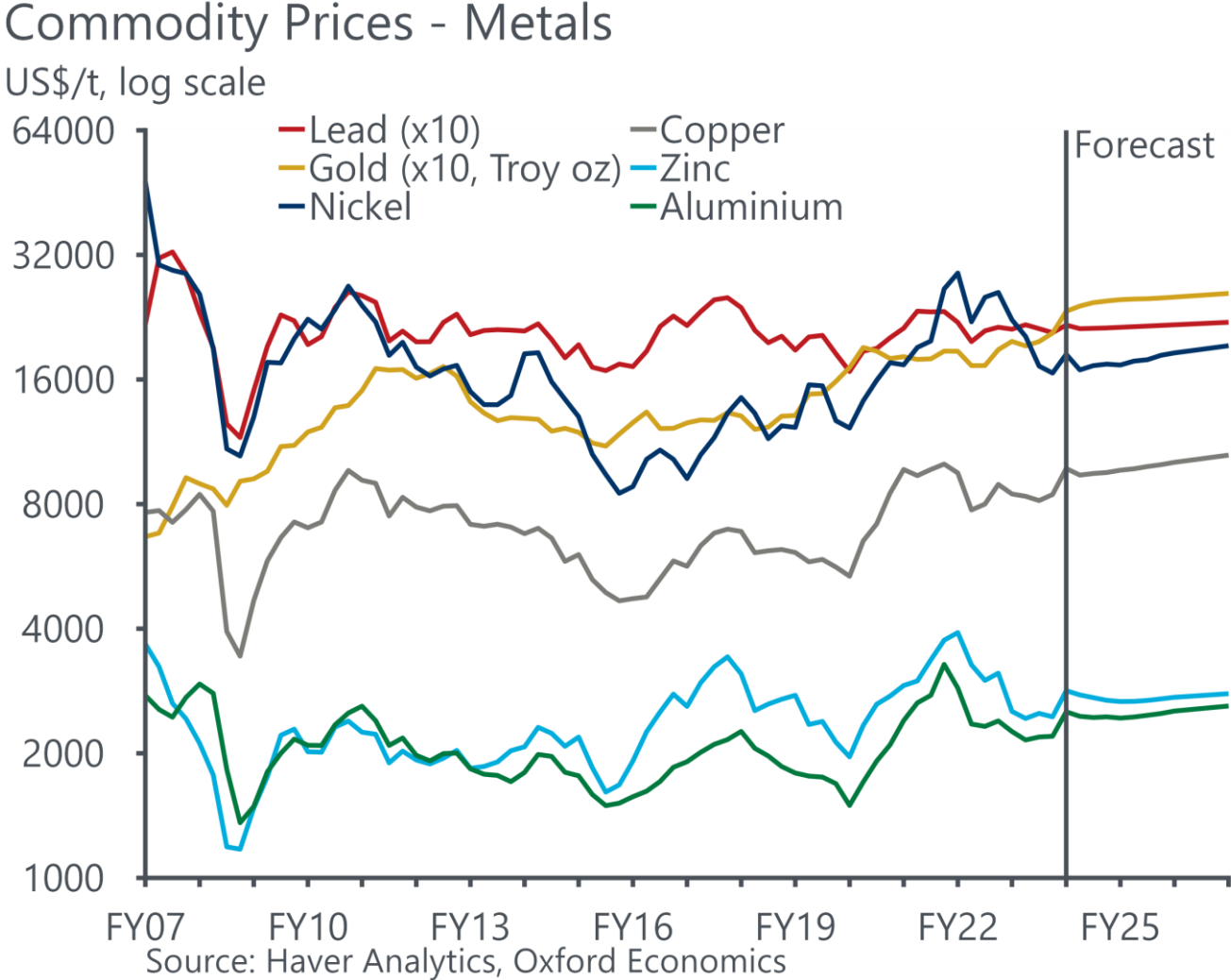


Source: Haver Analytics, Oxford Economics

... with limited upside for crude oil prices



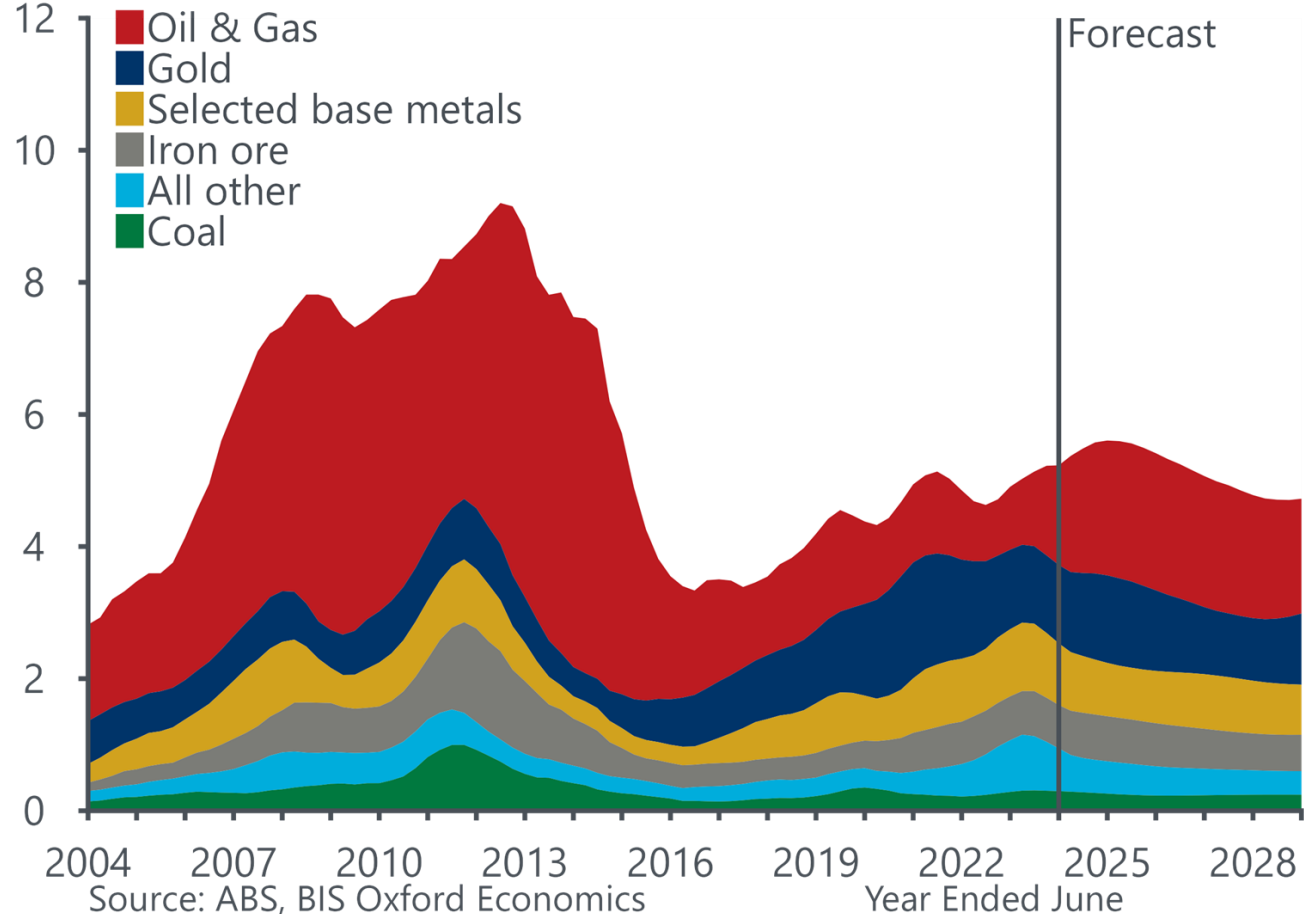
China's real estate slowdown is weighing on base metal prices



Oil and gas exploration set to grow strongly

Exploration Expenditure by Commodity

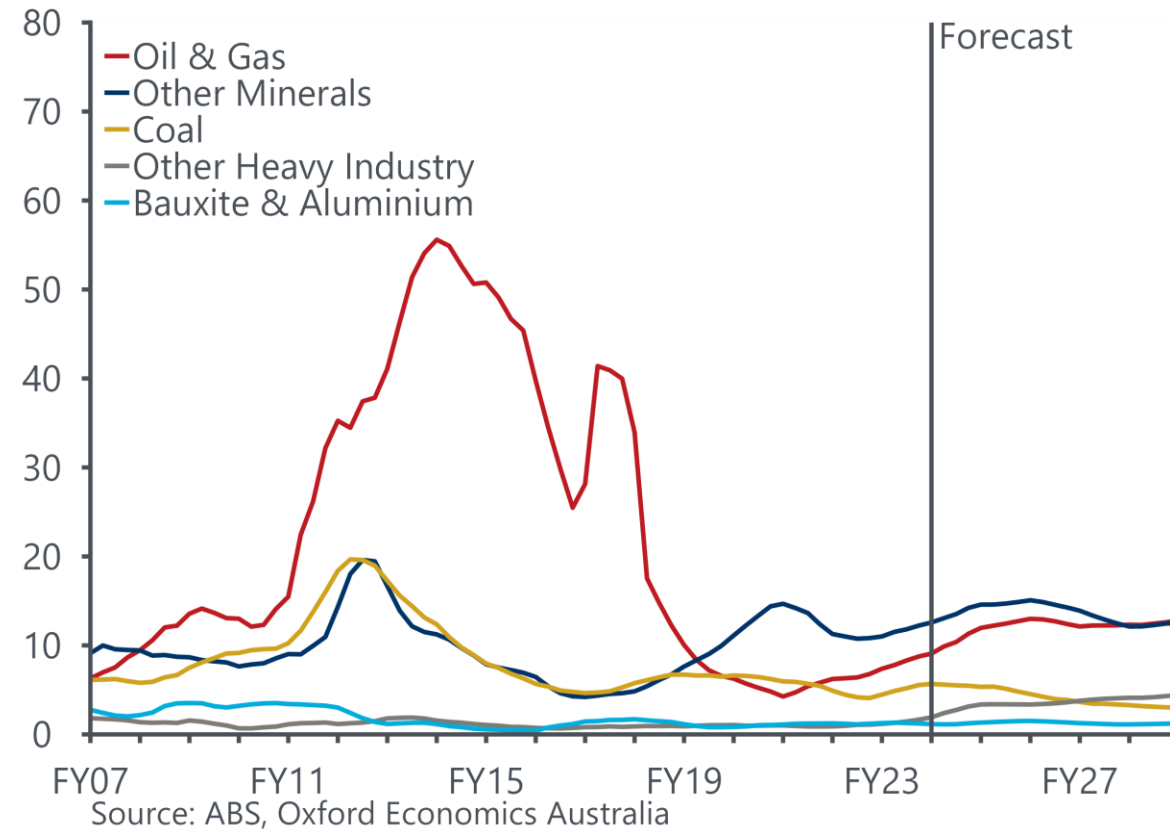
\$bn, FY20 prices



Activity will remain well below the previous peak

Mining Construction Work Done, AUS

A\$ Billion (constant prices)



Values to FY29

Oil & Gas projects:

- Scarborough to Pluto Train 2 – Gas field (WA) - \$6.8bn
- Scarborough to Pluto Train 2 – Train (WA) - \$6.8bn
- Barossa (NT) - \$4.8bn
- Jansz-Io Compression Project (WA) - \$4.3bn
- Crux FLNG (WA) - \$4.0bn
- Browse Basin gas/condensate fields (WA) - \$3.0bn
- Surat Gas Expansion Projects (QLD) - \$2.9bn
- Equus (WA) - \$2.8bn

Other Minerals projects:

- Mulga Downs Iron Ore Mine (WA) - \$6.2bn
- Nyidinghu (WA) - \$3.1bn
- Kalgoorlie Nickel Project (WA) - \$2.2bn
- Ranger Uranium Mine (NT) - \$1.7bn
- Central Eyre Iron Project (SA) - \$1.5bn

Coal projects:

- Saraji East (QLD) - \$1.8bn
- Winchester South (QLD) - \$900mn
- Wallarah 2 coal project (NSW) - \$564mn

Other Heavy Industries projects:

- Perdaman Urea Project (WA) - \$2.4bn
- H2-HubTM Green Hydrogen (QLD) - \$2.2bn
- Leigh Creek Urea Project (SA) - \$1.2bn

Bauxite & Aluminium projects:

- Pinjarra Expansion (WA) - \$685mn
- Alpha HPA (stage 2) (QLD) - \$280mn
- Collie green steel mill (WA) - \$280mn

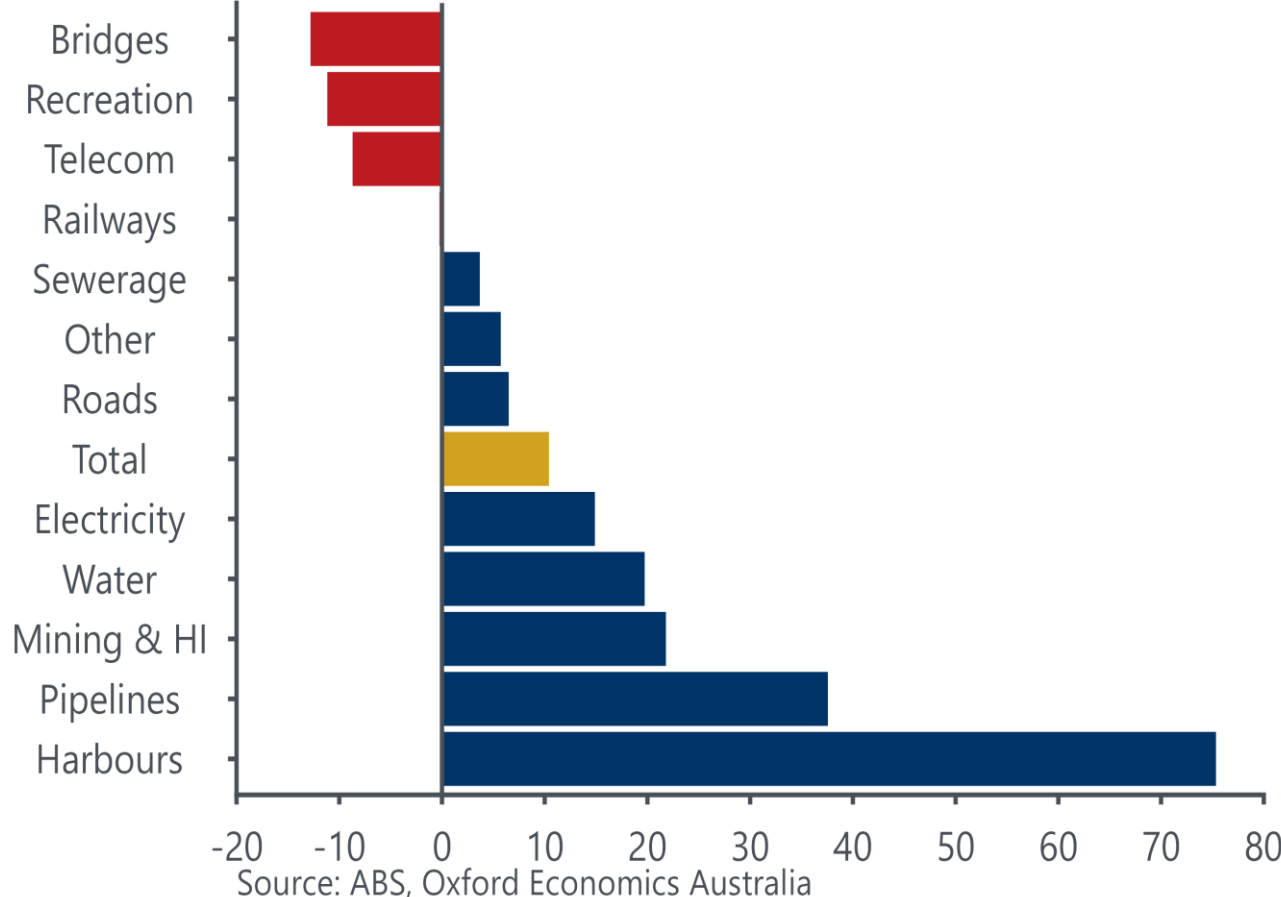


Summary of outlook

Transportation to have slower than average growth

Sectoral Winners & Losers: 2 Years

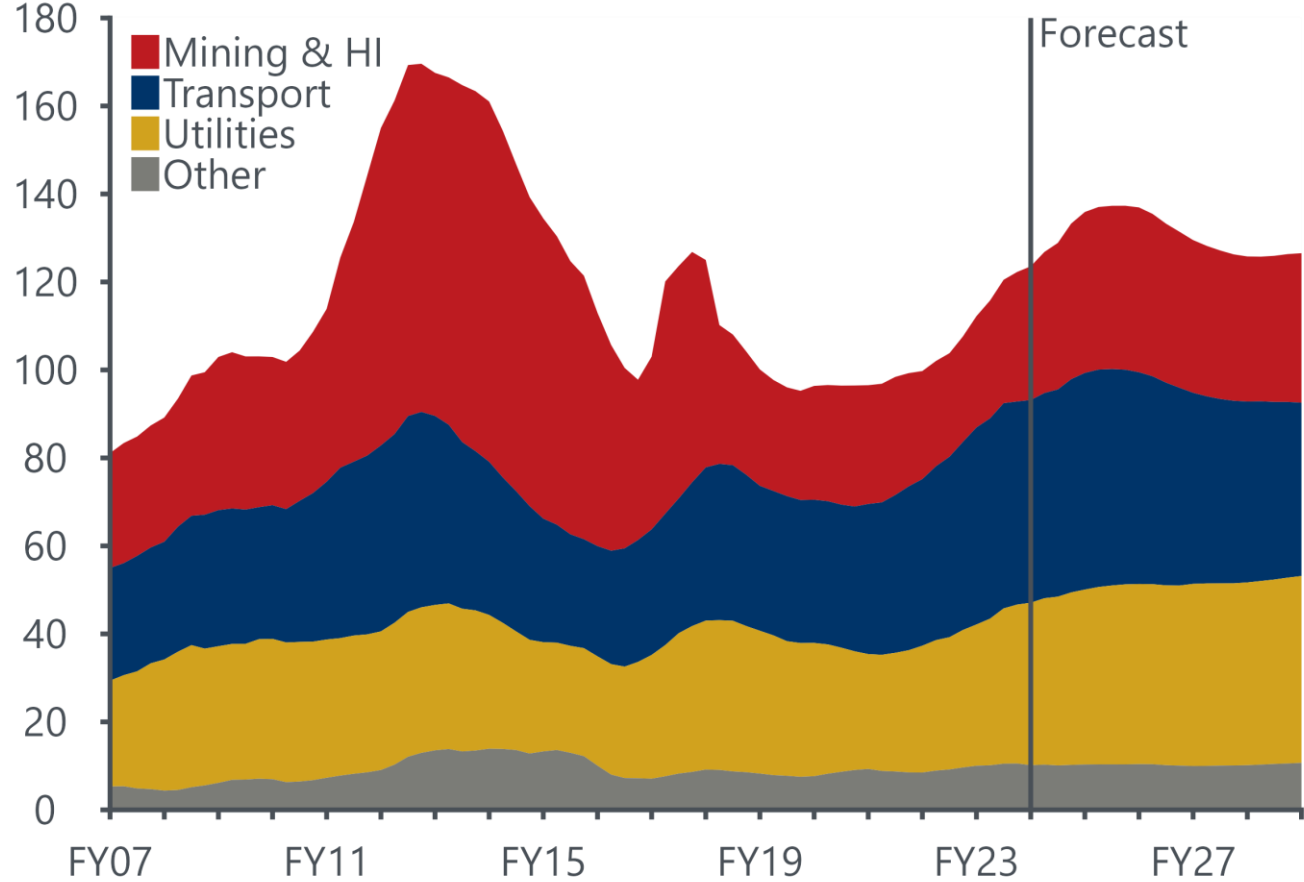
Average over next two years, % change from FY24 level



Electricity and LNG driving the positive outlook

Engineering Construction Work Done, AUS

A\$ Billion (constant prices)

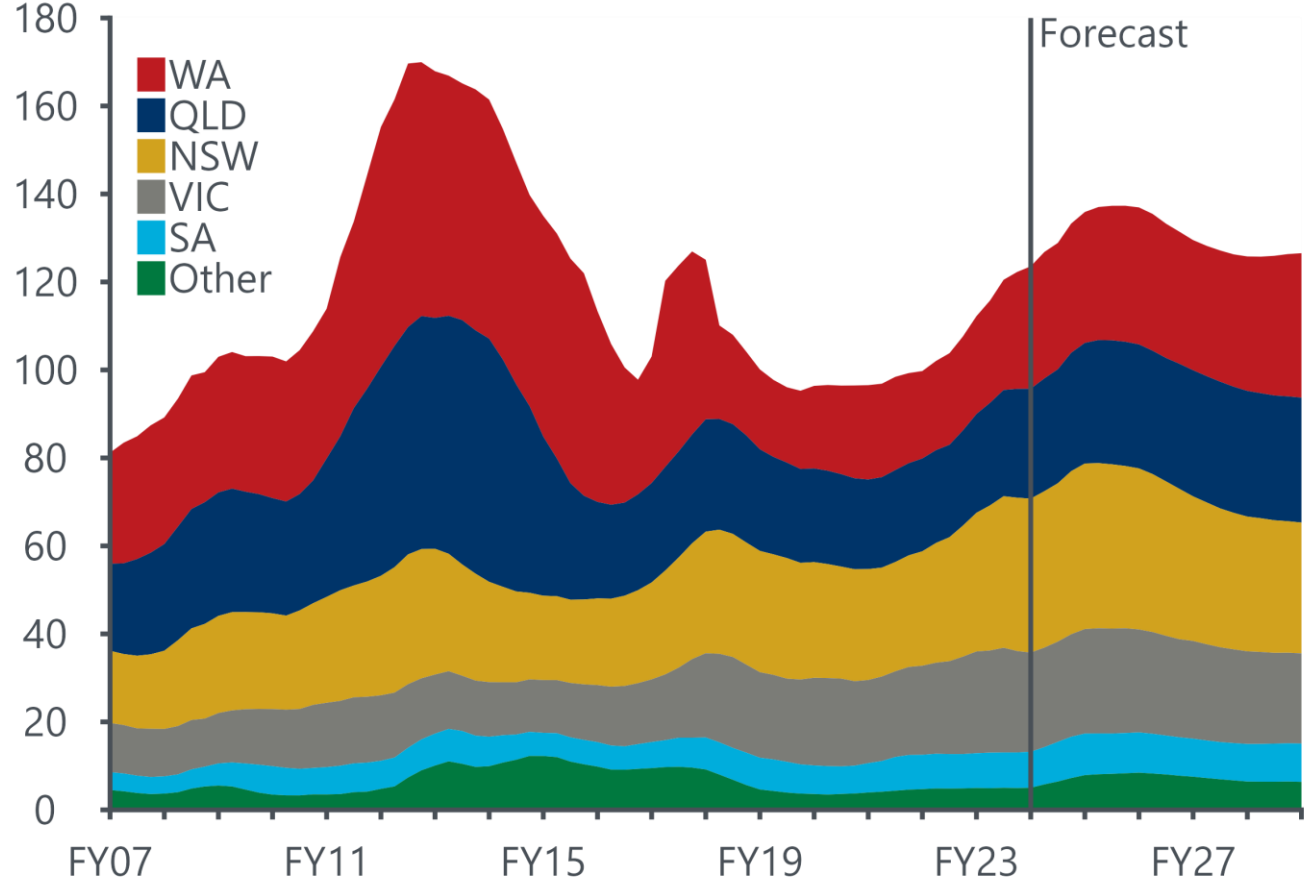


Source: ABS, Oxford Economics Australia

NSW, QLD, and WA drive the strong outlook

Engineering Construction Work Done, AUS

A\$ Billion (constant prices)

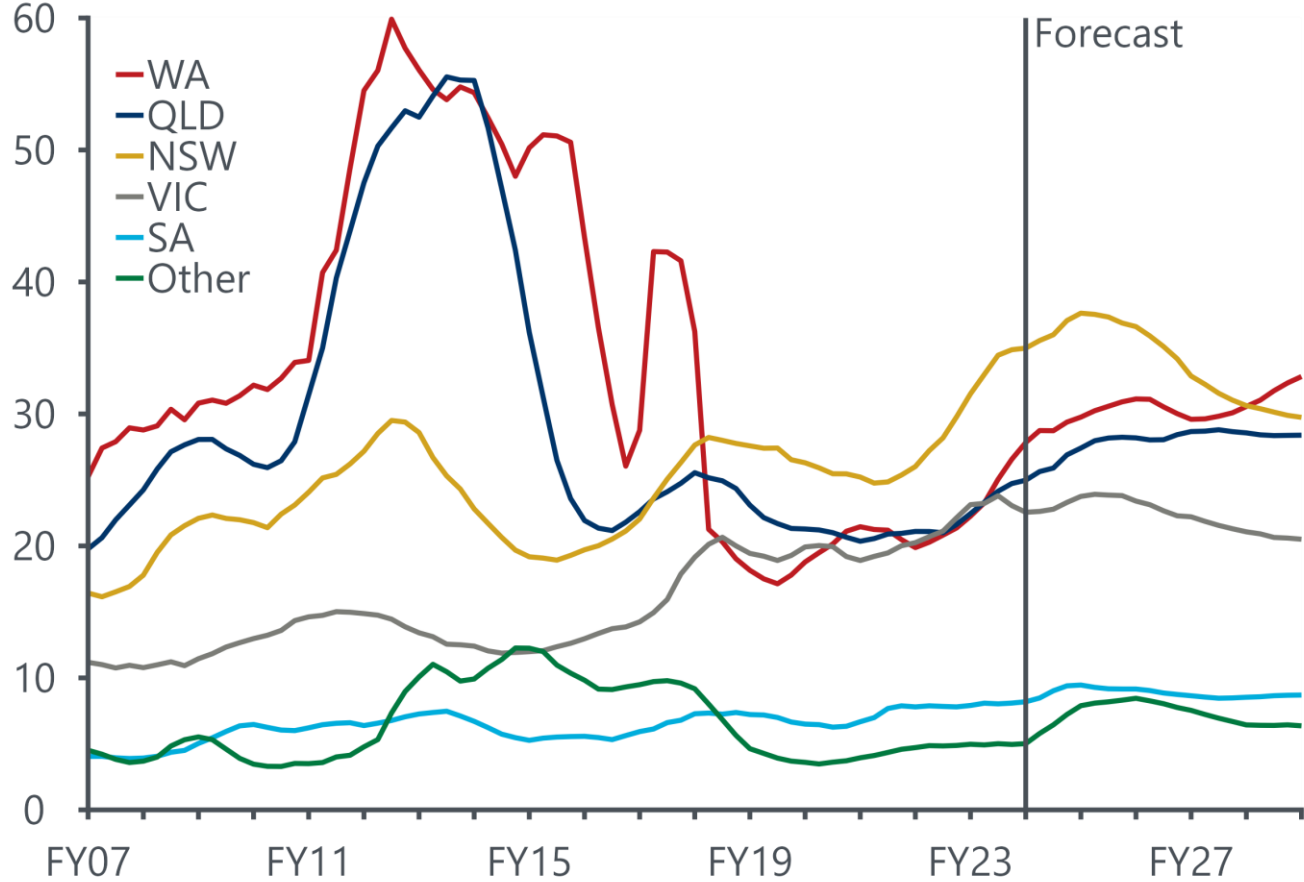


Source: ABS, Oxford Economics Australia

NSW will remain the largest state for a few more years

Engineering Construction Work Done, AUS

A\$ Billion (constant prices)



Source: ABS, Oxford Economics Australia

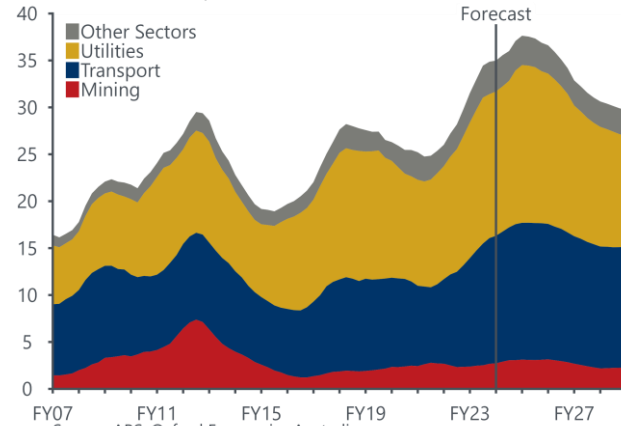


Summary of states

Utilities now driving growth in eastern states

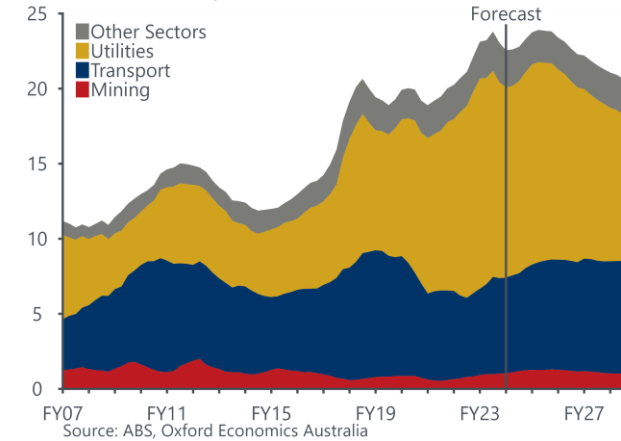
Engineering Construction Work Done, NSW

A\$ Billion (in constant prices)



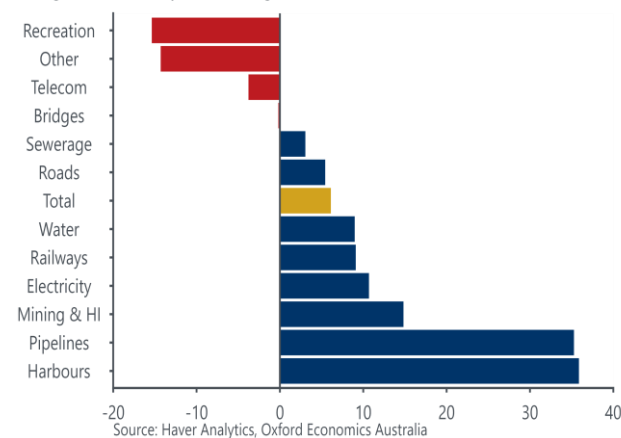
Engineering Construction Work Done, VIC

A\$ Billion (in constant prices)



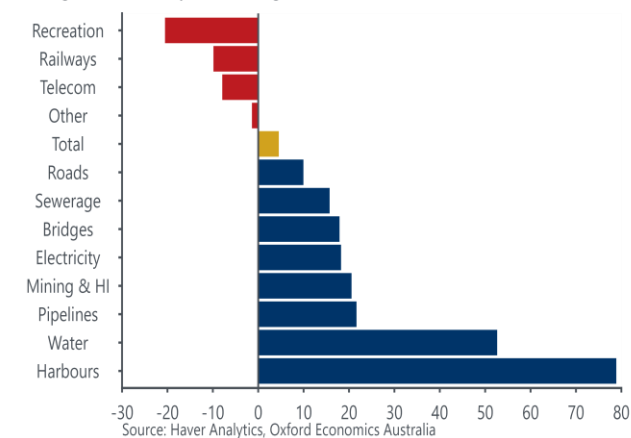
NSW Sectoral Winners & Losers: 2 Years

Average over next two years, % change from FY24 level



VIC Sectoral Winners & Losers: 2 Years

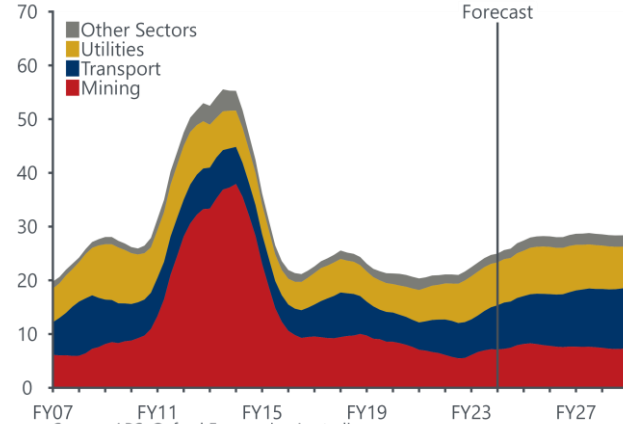
Average over next two years, % change from FY24 level



Mining remains important in QLD and WA

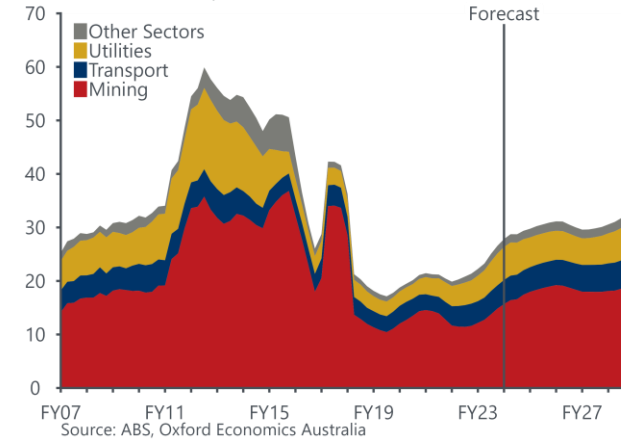
Engineering Construction Work Done, QLD

A\$ Billion (in constant prices)



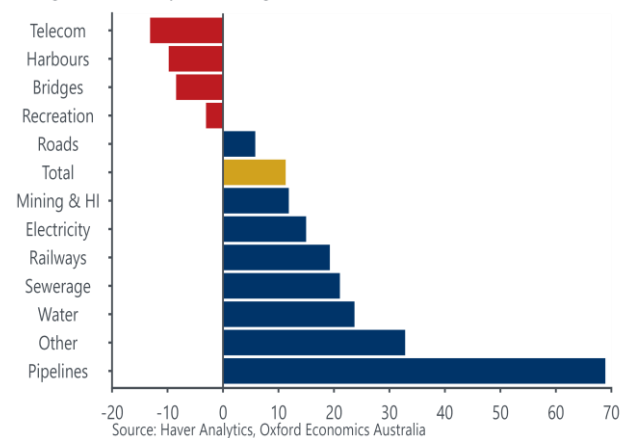
Engineering Construction Work Done, WA

A\$ Billion (in constant prices)



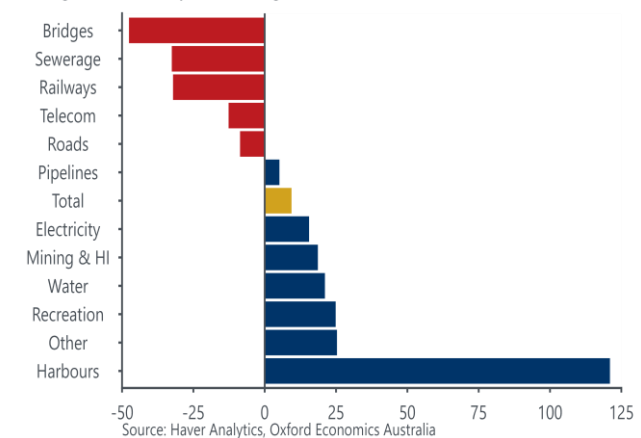
QLD Sectoral Winners & Losers: 2 Years

Average over next two years, % change from FY24 level



WA Sectoral Winners & Losers: 2 Years

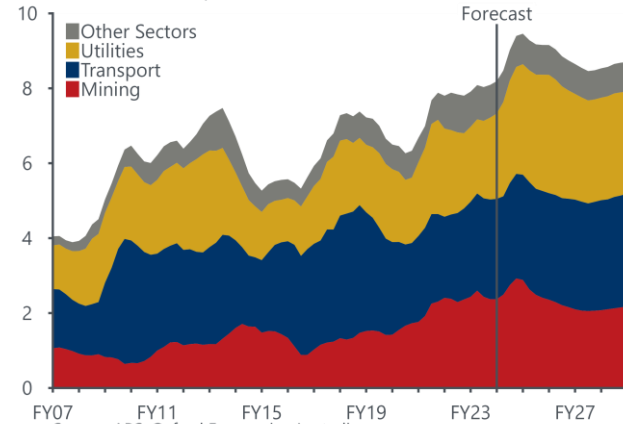
Average over next two years, % change from FY24 level



Harbours are key growth drivers in SA and TAS

Engineering Construction Work Done, SA

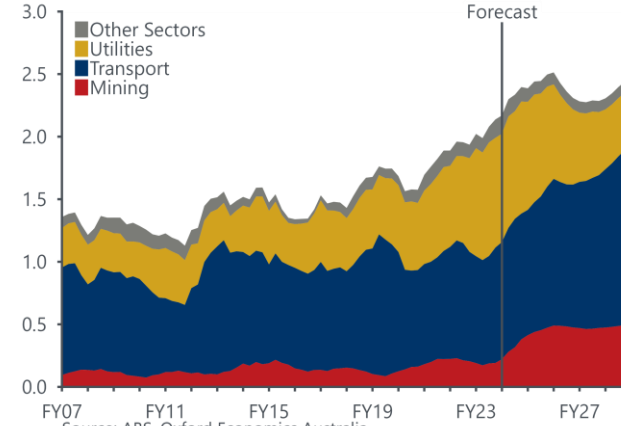
A\$ Billion (in constant prices)



Source: ABS, Oxford Economics Australia

Engineering Construction Work Done, TAS

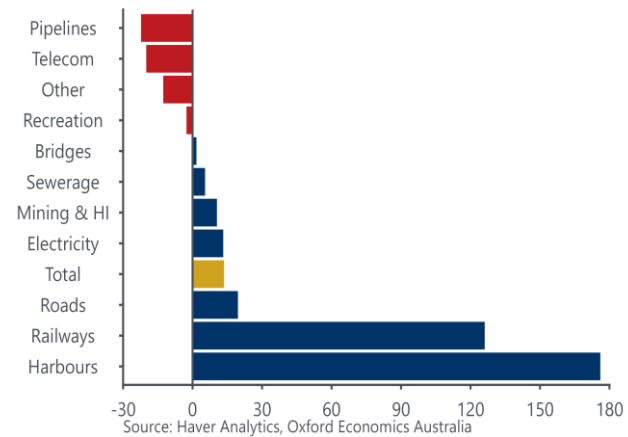
A\$ Billion (in constant prices)



Source: ABS, Oxford Economics Australia

SA Sectoral Winners & Losers: 2 Years

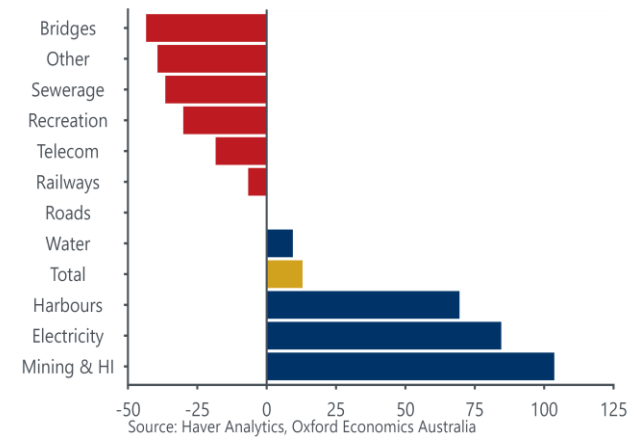
Average over next two years, % change from FY24 level



Source: Haver Analytics, Oxford Economics Australia

TAS Sectoral Winners & Losers: 2 Years

Average over next two years, % change from FY24 level



Source: Haver Analytics, Oxford Economics Australia

Masterplans provide more detailed analysis of projects and contracts

A Masterplan Market Split
B Addressable Revenue
C Hub Hunter Heat Map
D Asset Hunter Map
E Financial Tables
F Spend Dicer
G Contracts Expiring
H Asset Locations by Type
I Asset Owner Tree Map
J Asset Relative Scale
K Contractor Word Cloud
L Contractor Tree Map
M Client Word Cloud
N Opportunity Slider

Australian Maintenance Masterplan

Identify, Target and Win Maintenance Contracts in Australia

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MM 8.1 (Feb 2024)

MM A B C D E F G H I J K L M N +

Global Construction Service now covers 77 countries



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