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AUSTRALIA

Nicholas Fearnley

Head of Global
Construction Forecasting



**How much further can
engineering construction
activity grow?**

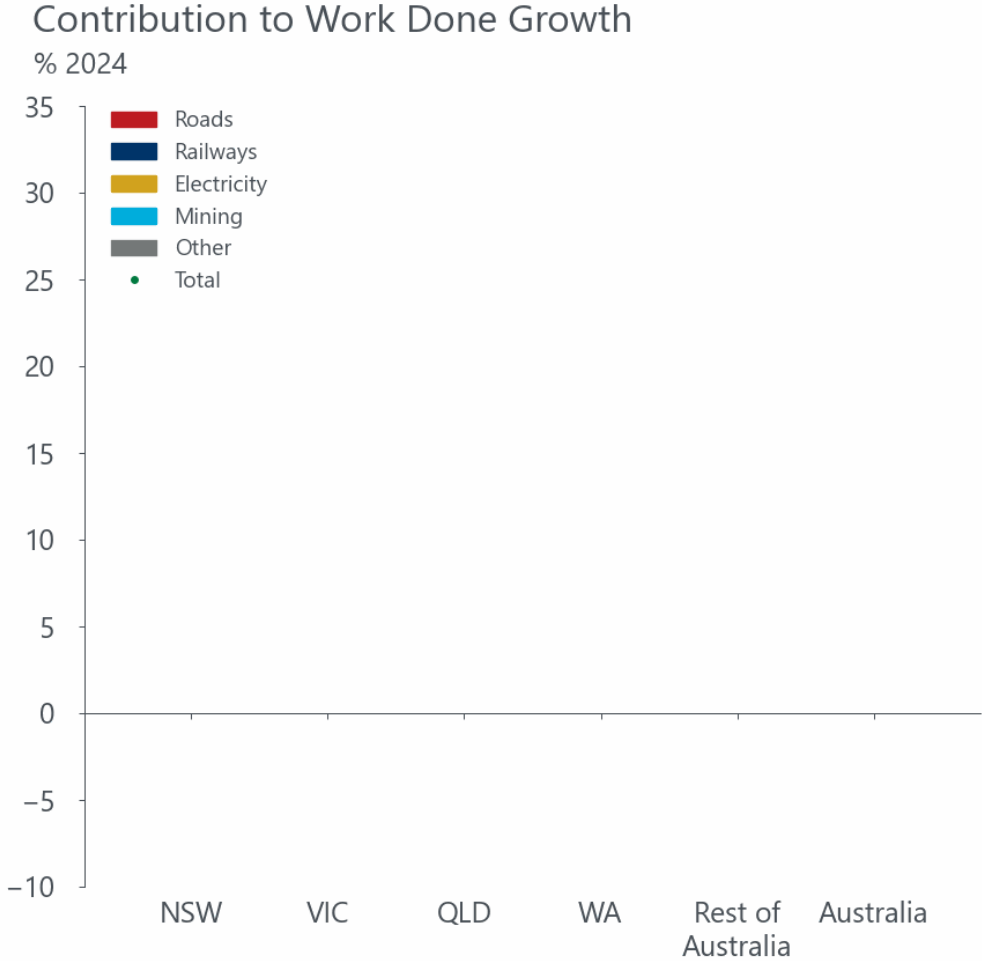
The transition from transport to utilities

- What happened over 2024?
- What will happen next?
 - Government spending will peak
 - Transition from transportation to utilities
 - Mining investment and the move to net zero



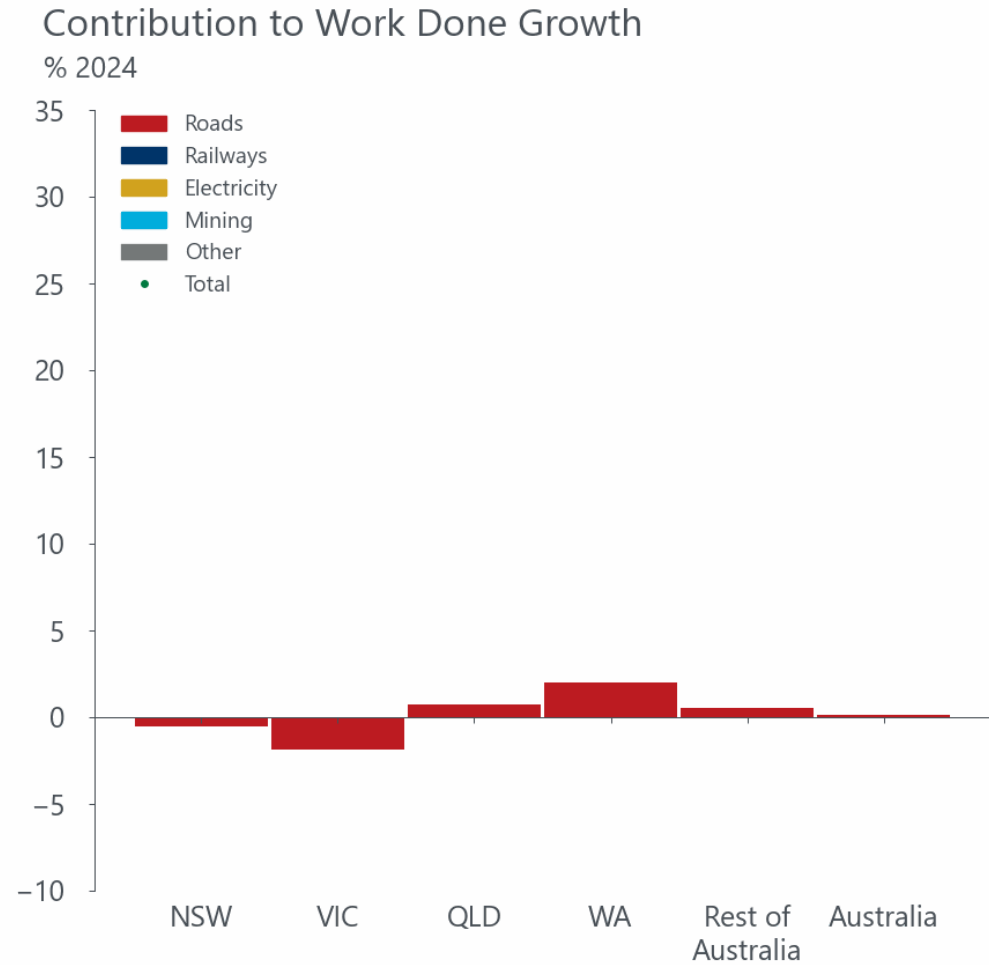
What happened in 2024

Activity continued to grow over 2024



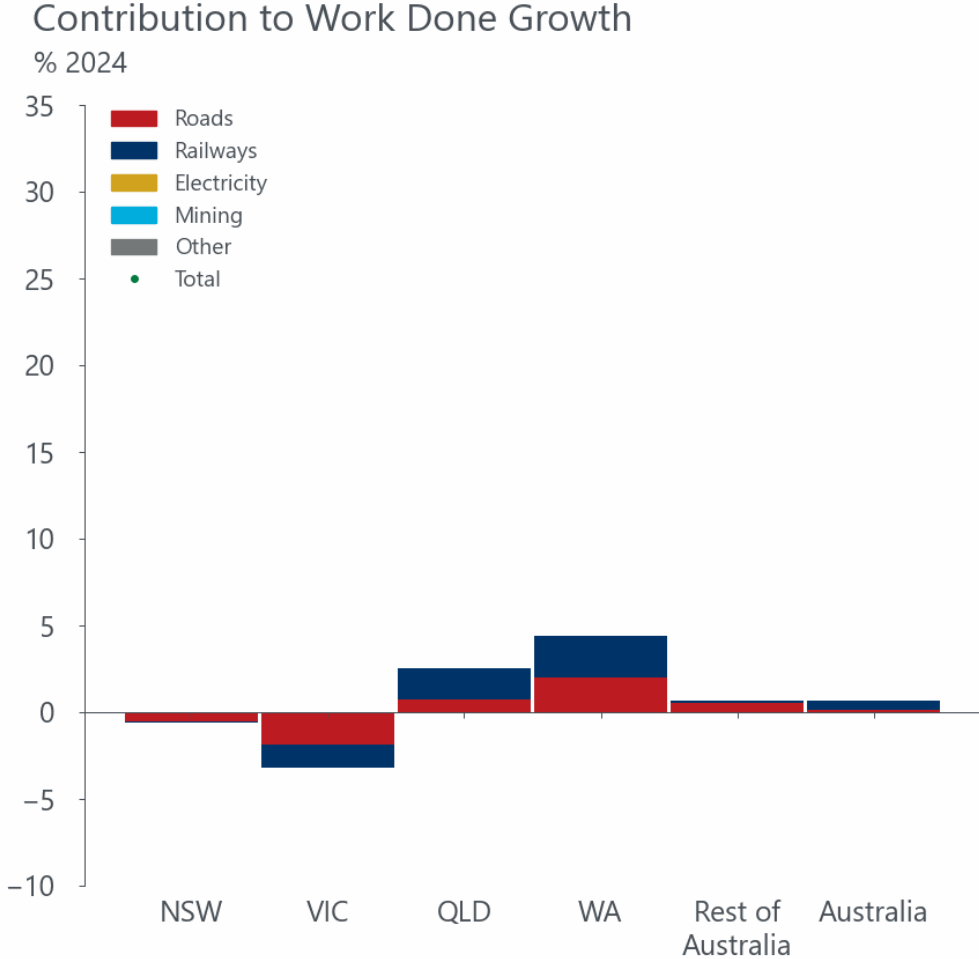
Source: ABS, Oxford Economics Australia

Activity continued to grow over 2024



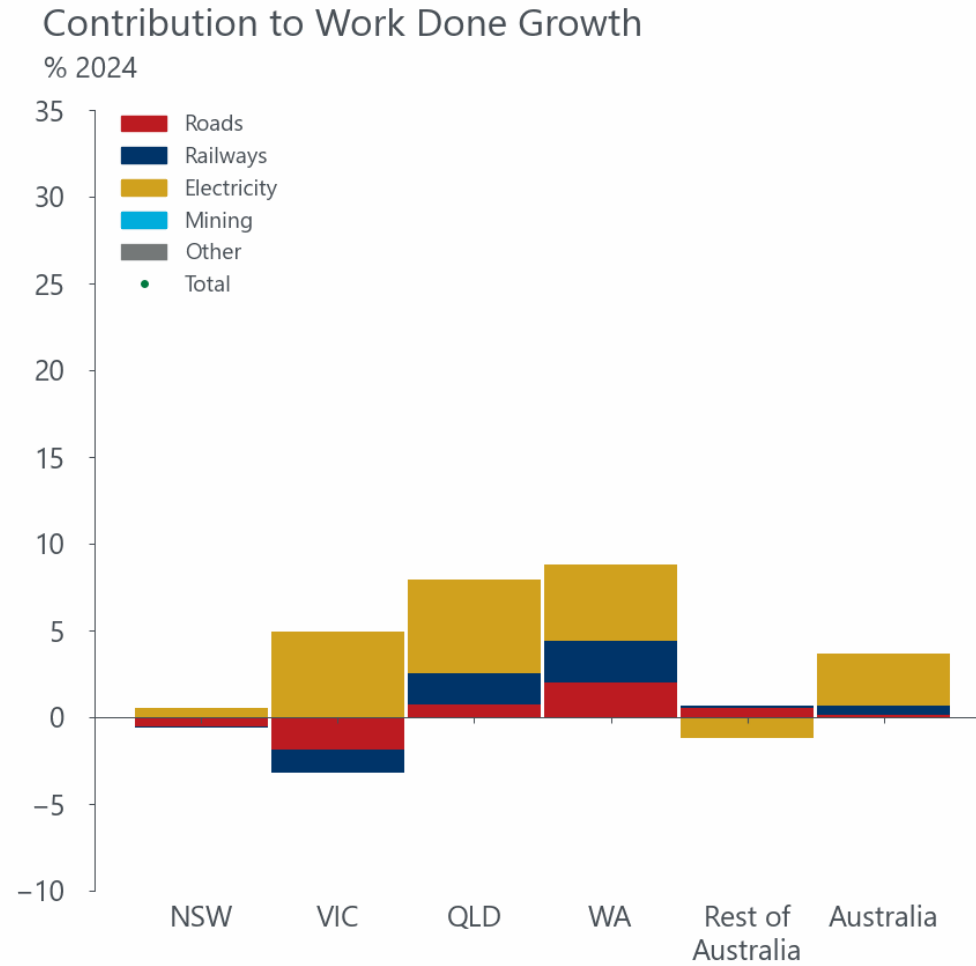
Source: ABS, Oxford Economics Australia

Activity continued to grow over 2024



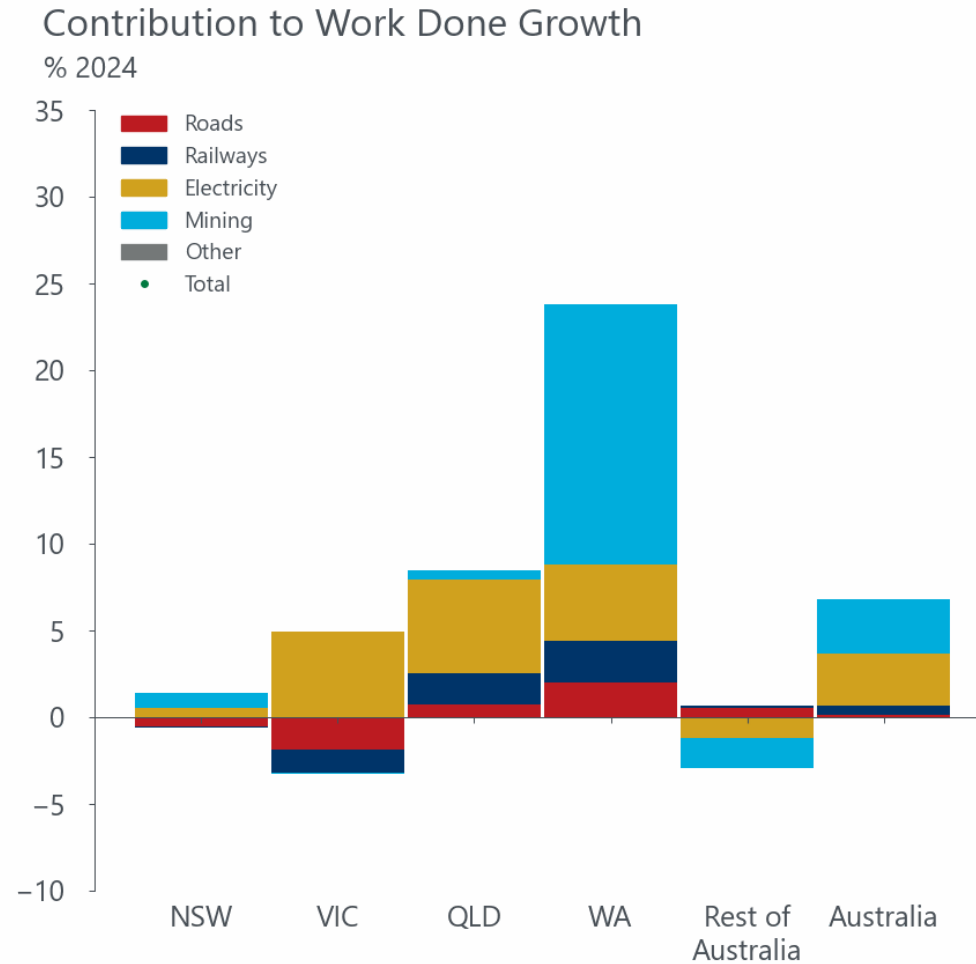
Source: ABS, Oxford Economics Australia

Activity continued to grow over 2024




Source: ABS, Oxford Economics Australia

Activity continued to grow over 2024



Source: ABS, Oxford Economics Australia

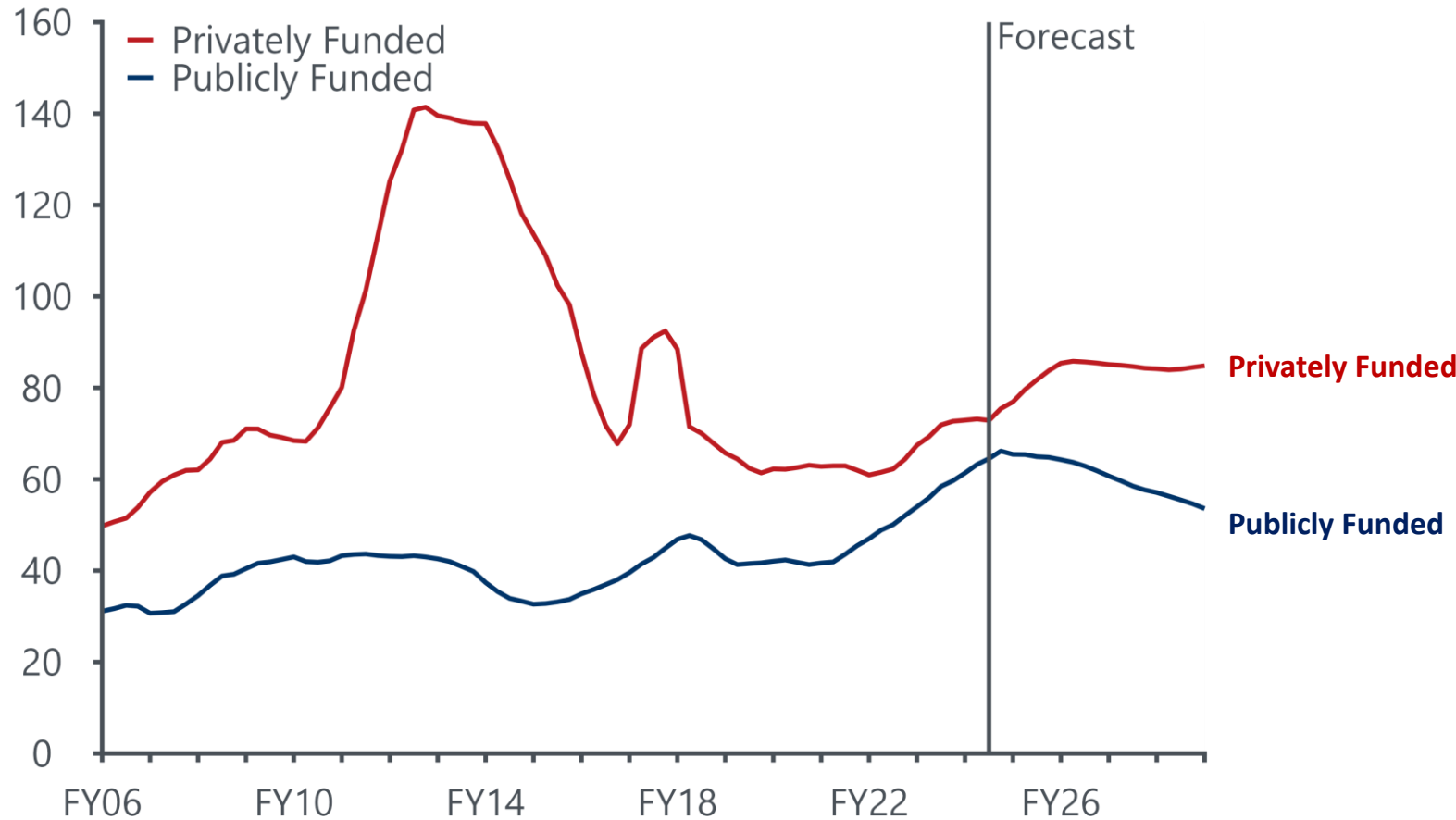


What will happen
next?

Government spending is reaching a peak ...

Engineering Construction Work Done, AUS

A\$ Billion (constant prices)

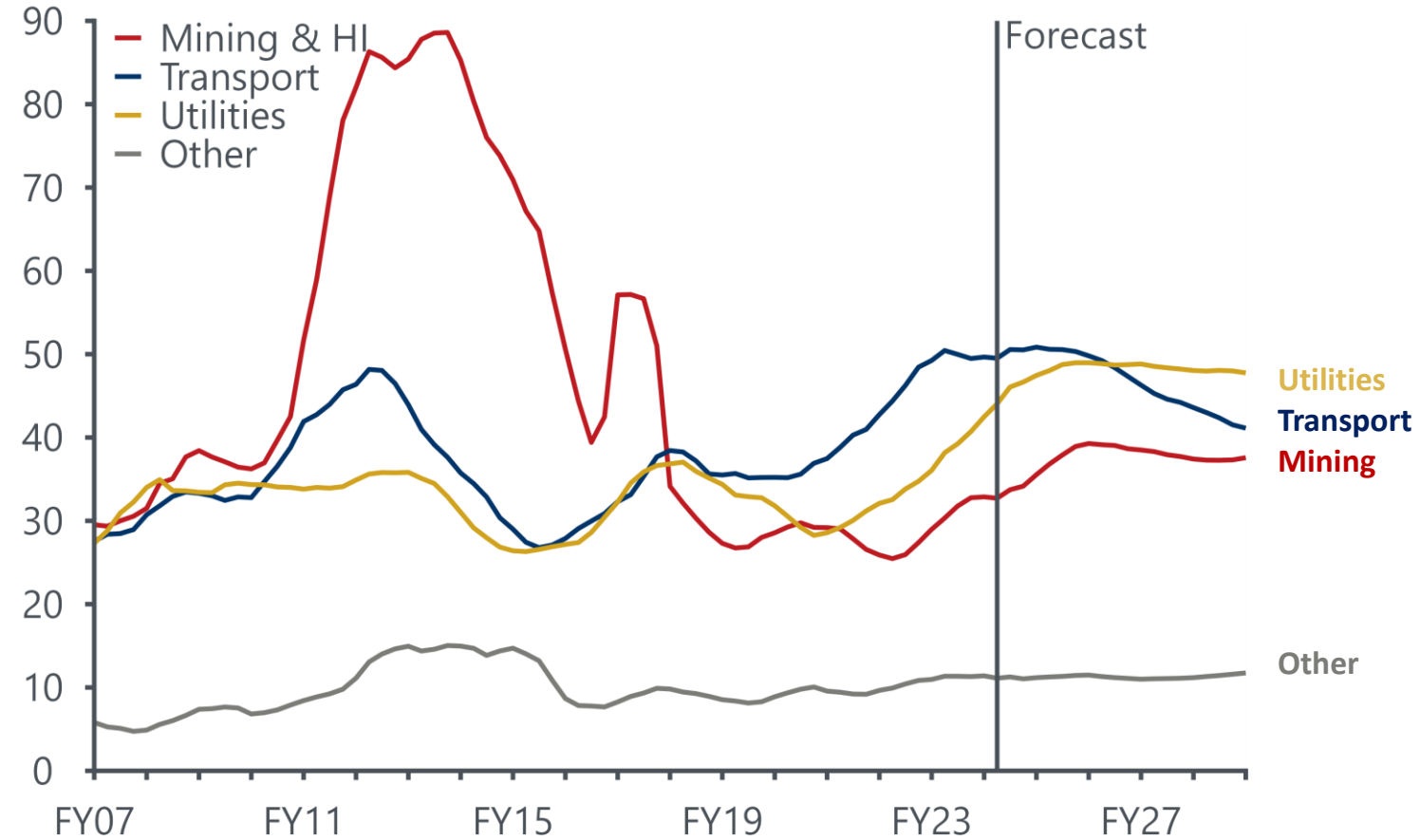


Source: Haver Analytics, Oxford Economics Australia

... as some major transportation projects are completed

Engineering Construction Work Done, AUS

A\$ Billion (constant prices)

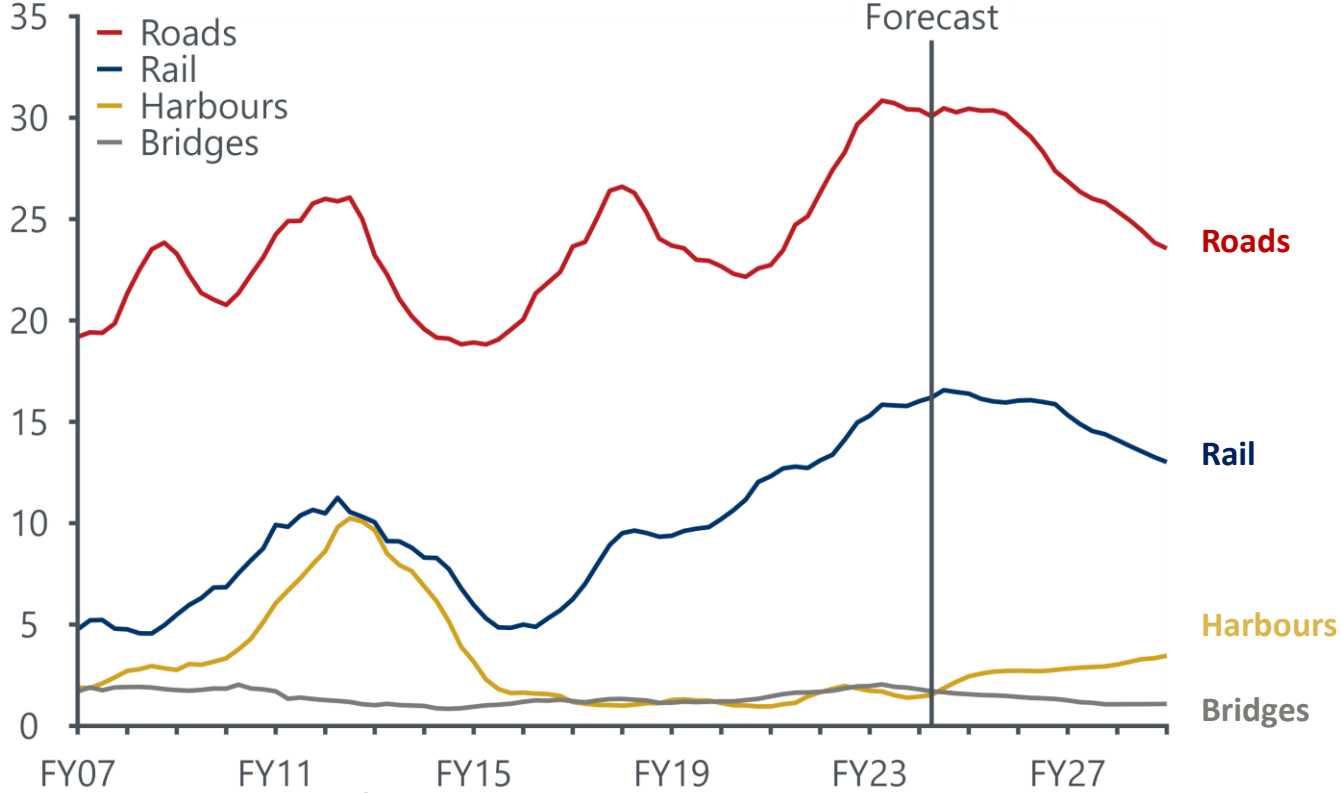


Source: ABS, Oxford Economics Australia

Civilian transportation investment to fall ...

Transport Construction Work Done, AUS

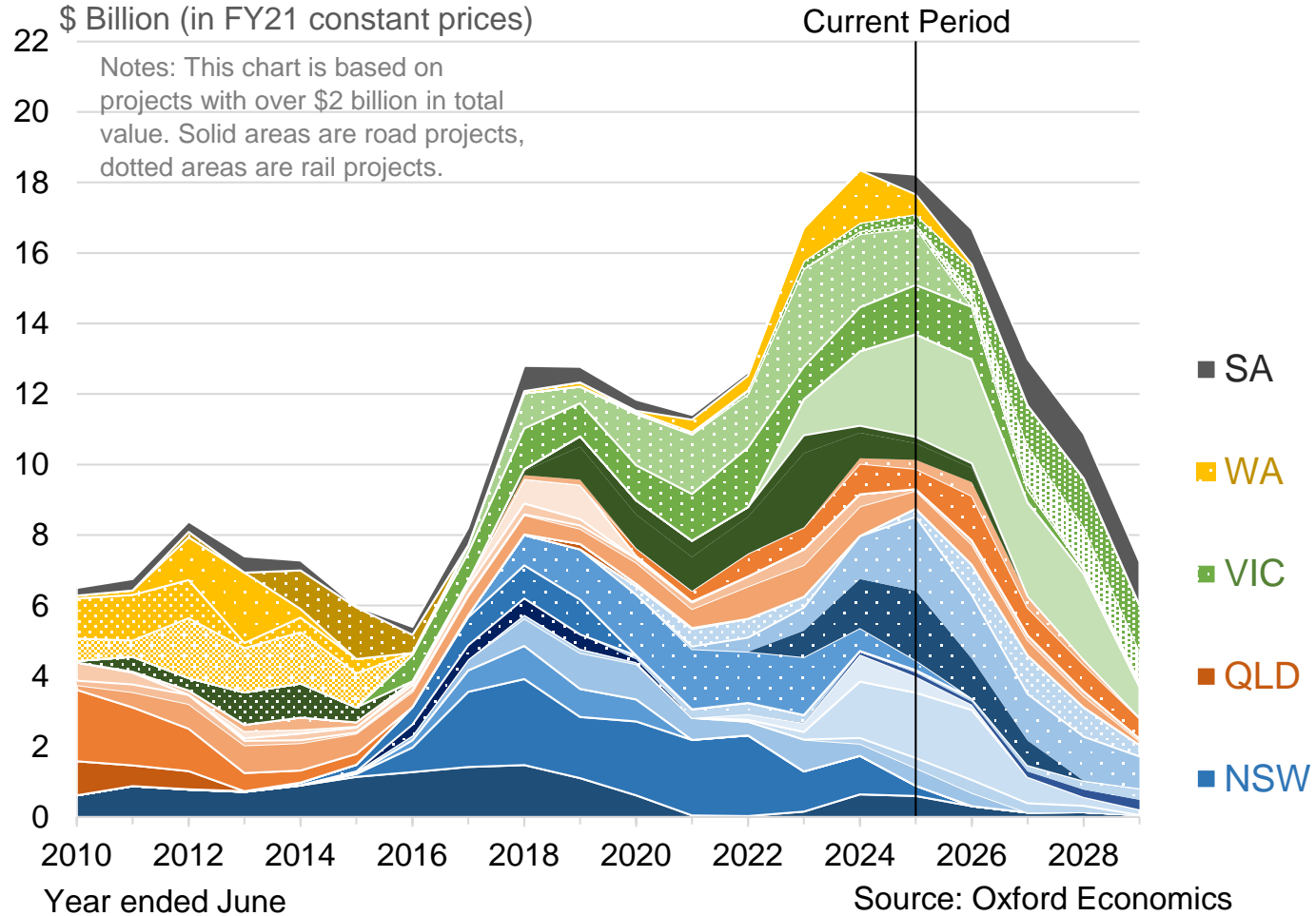
A\$ Billion (constant prices)



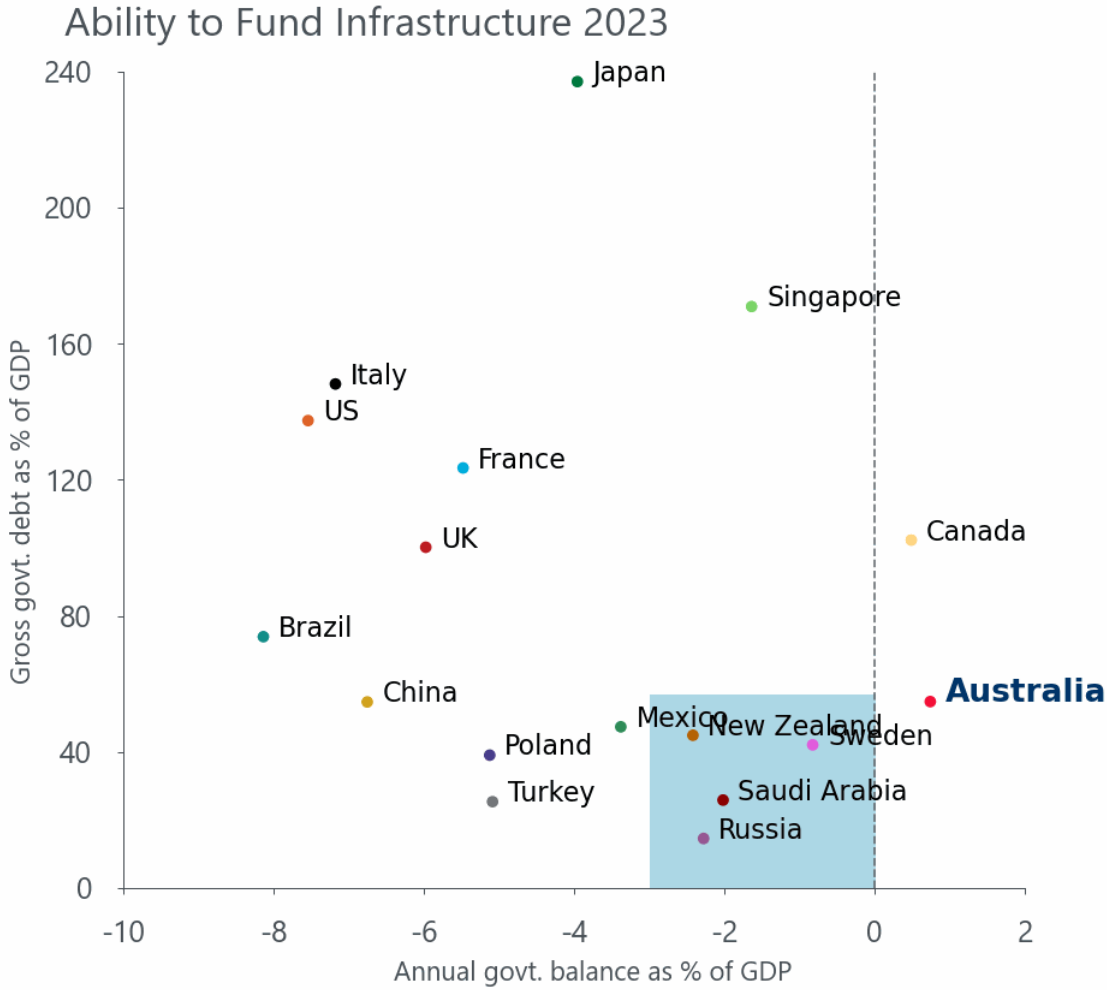
Source: ABS, BIS Oxford Economics

... as the major project pipeline thins

Major transport projects (over \$2 billion)

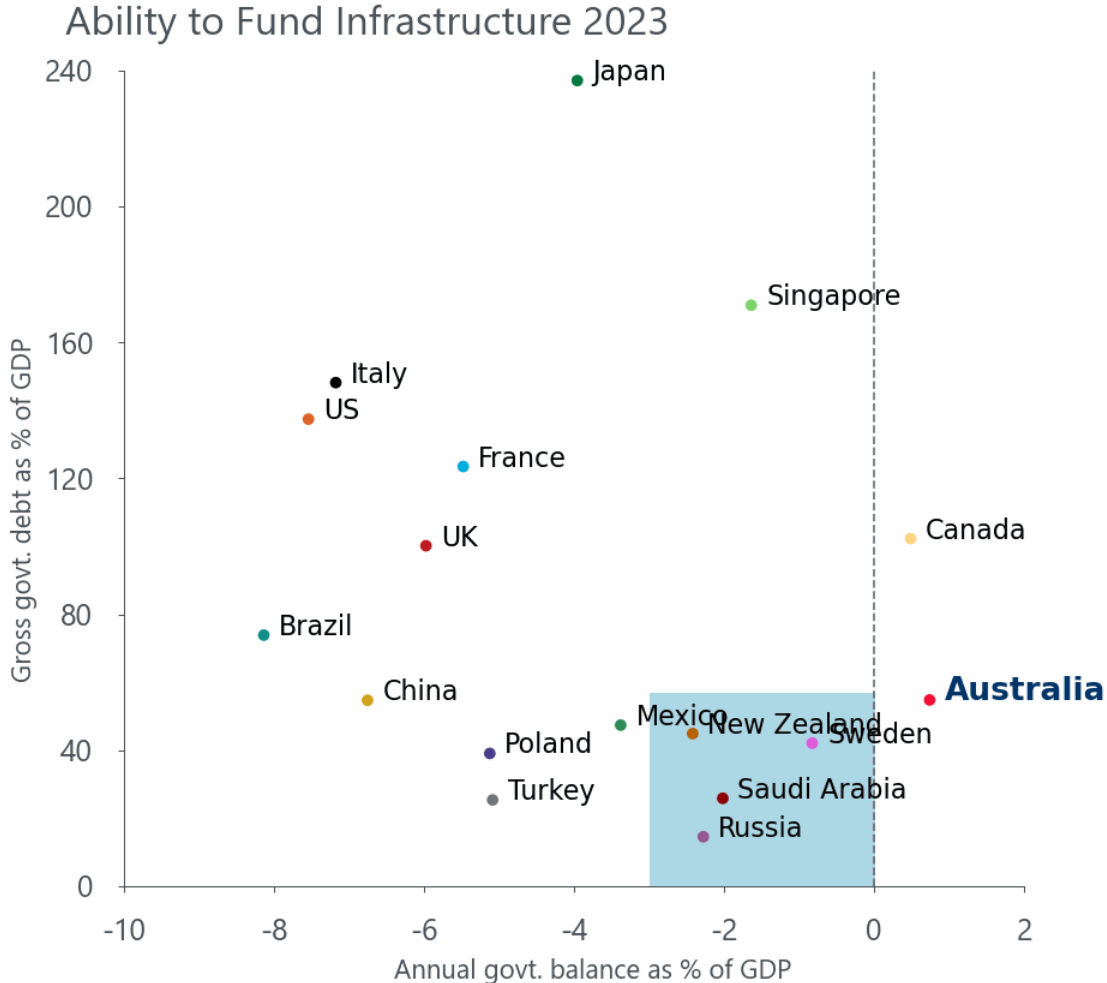


Federal government has capacity to invest more...



Source: Haver Analytics, Oxford Economics

Federal government has capacity to invest more...

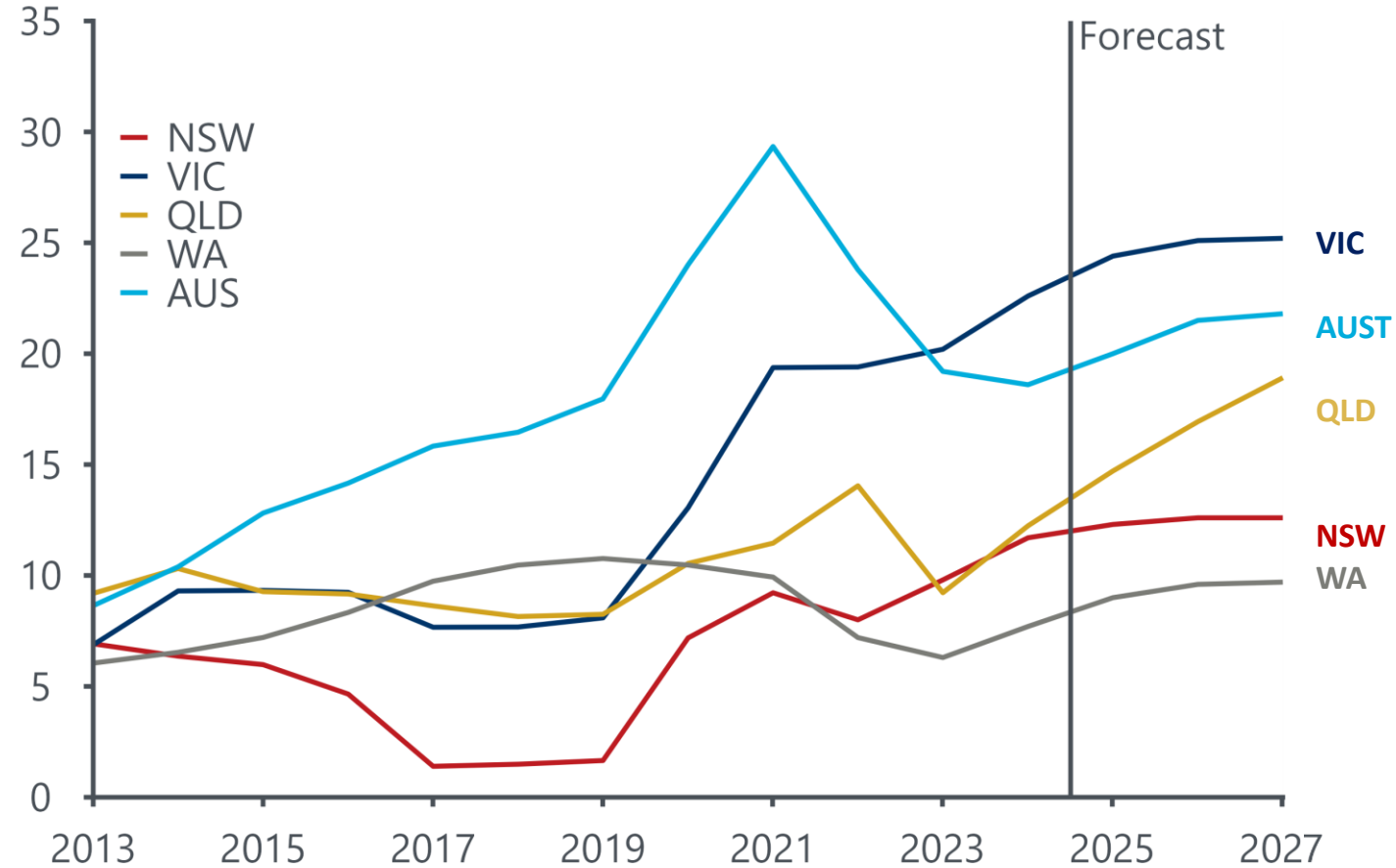


Source: Haver Analytics, Oxford Economics

... but some states may struggle

Federal & State Government Debt

% Share of GSP/GDP

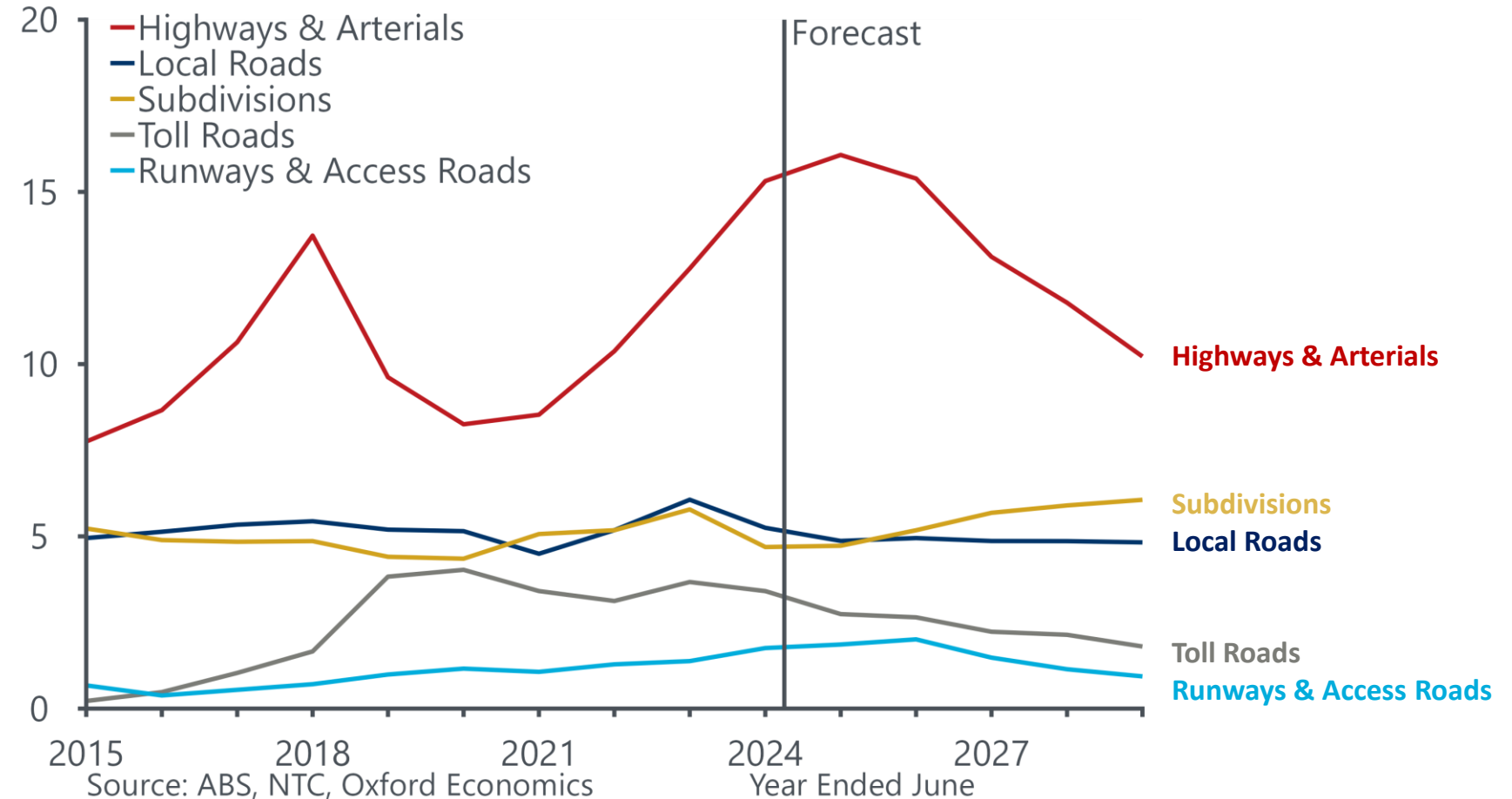


Source: Haver Analytics, Oxford Economics

Not all types of road construction activity are falling ...

Road Construction by Category: Australia

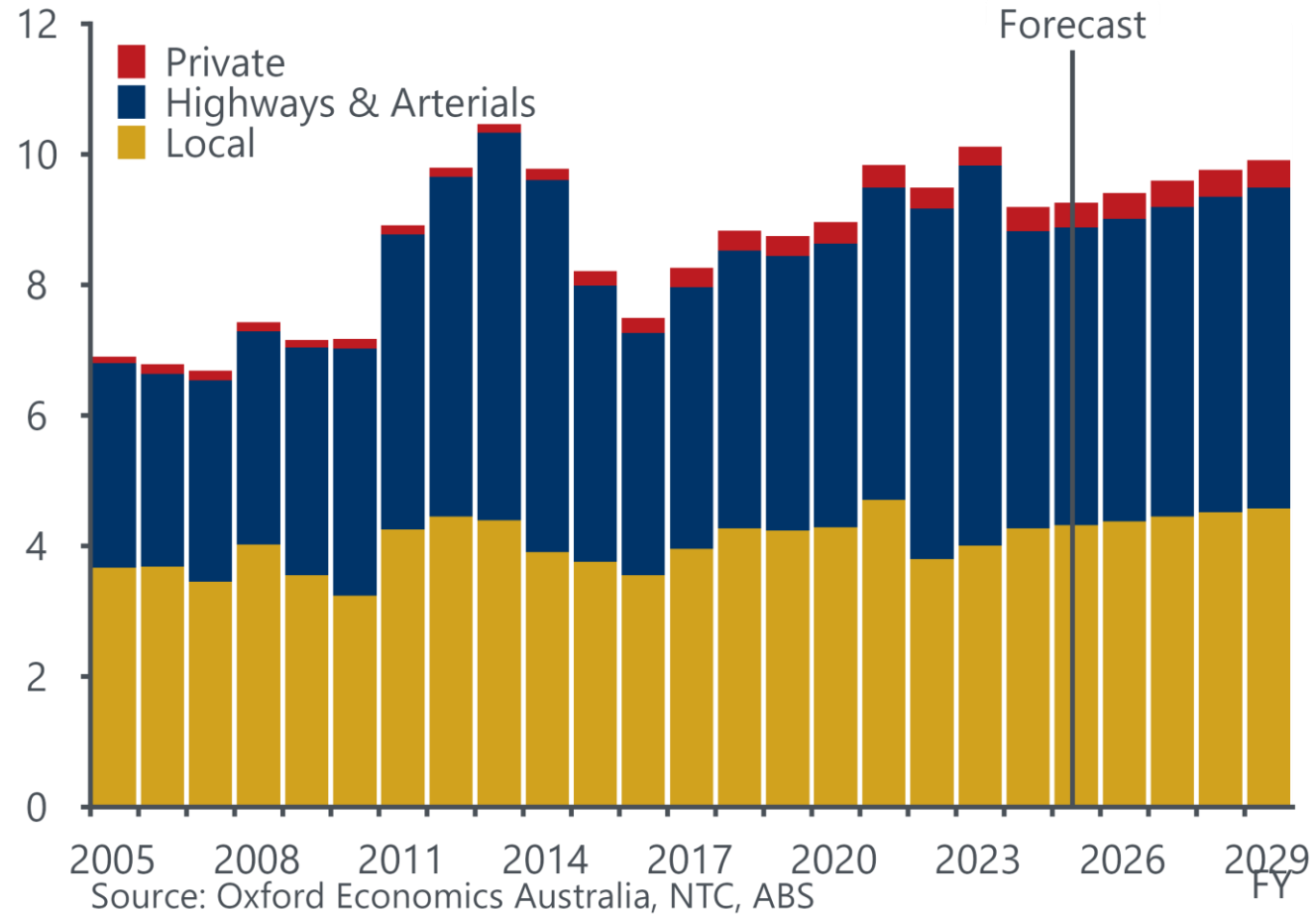
\$bn (constant prices)



... and governments are continuing to spend on maintenance

Total Road Maintenance

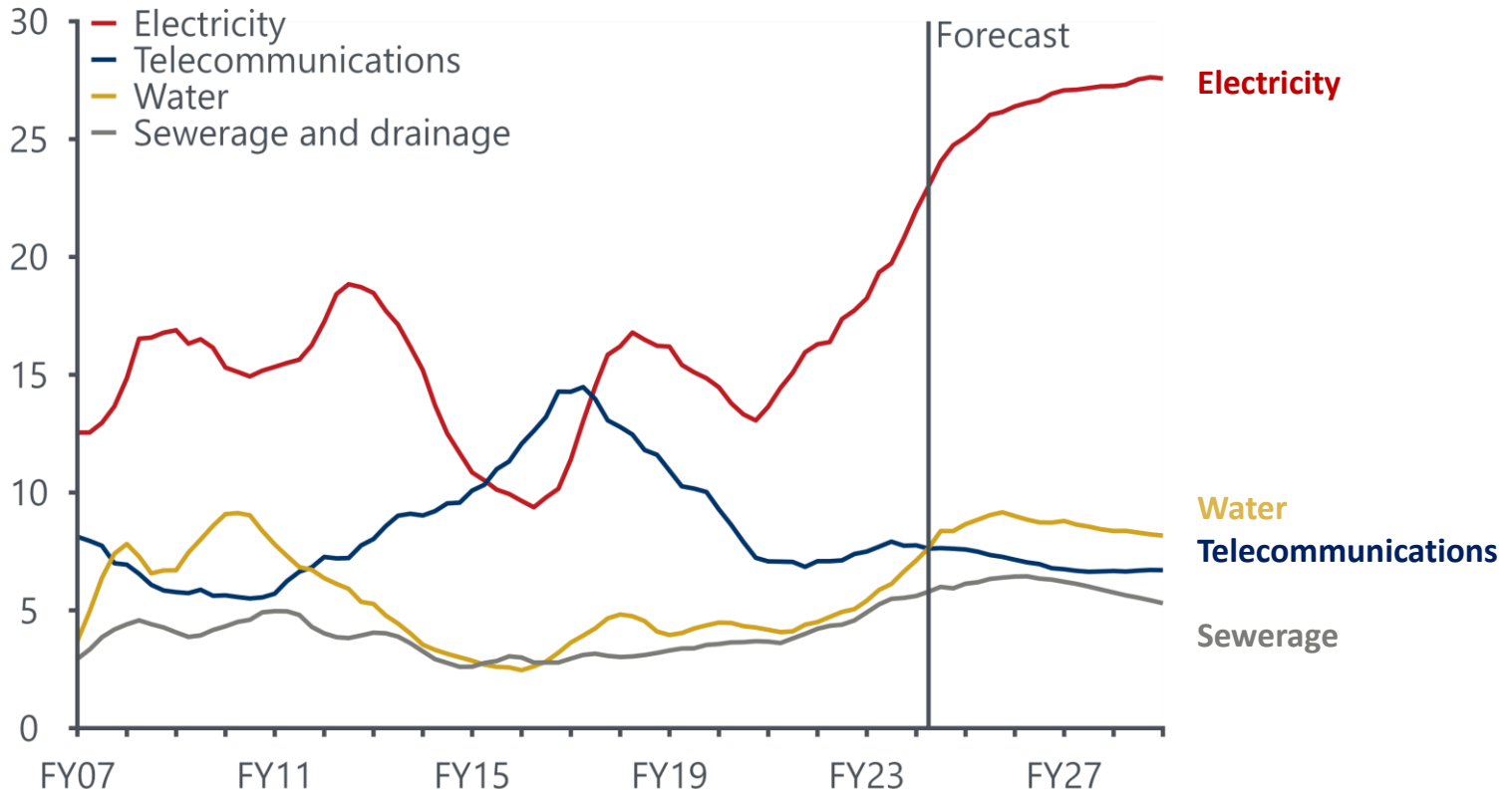
\$bn, constant prices



Work is transitioning from Transportation to Utilities

Utilities Construction Work Done, AUS

A\$ Billion (constant prices)

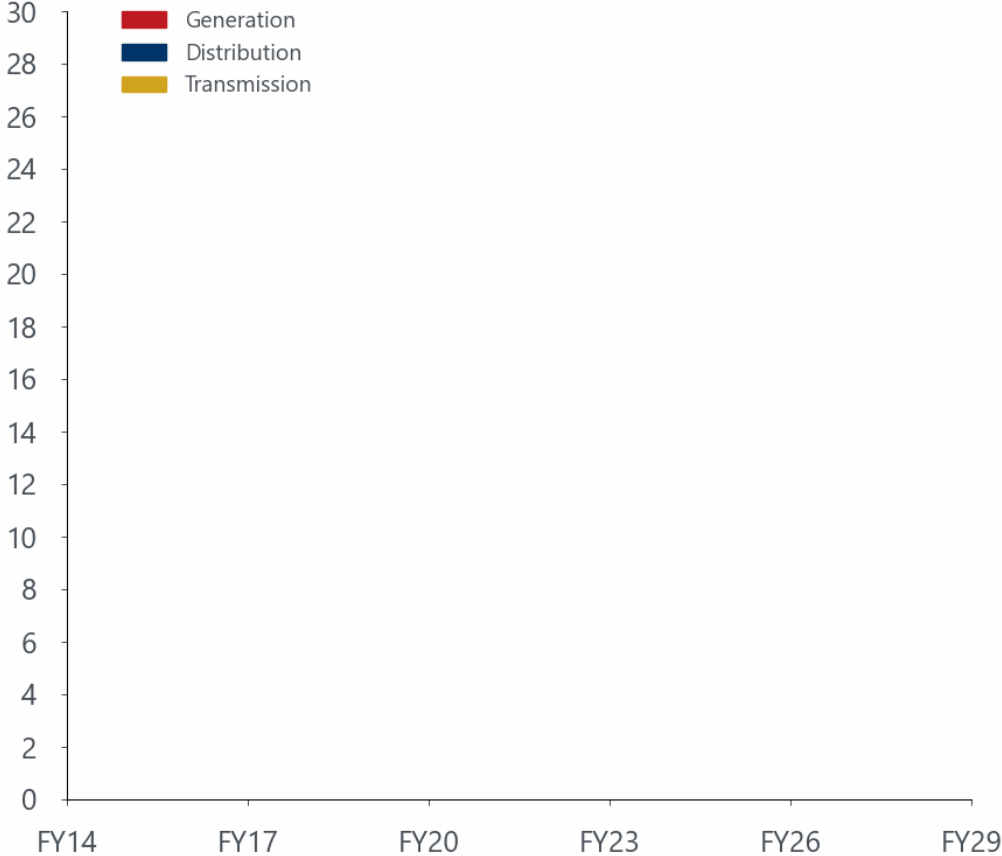


Source: ABS, Oxford Economics Australia

Electricity work is now at record levels ...

Electricity Construction Work Done, AUS

A\$ Billion (constant prices)

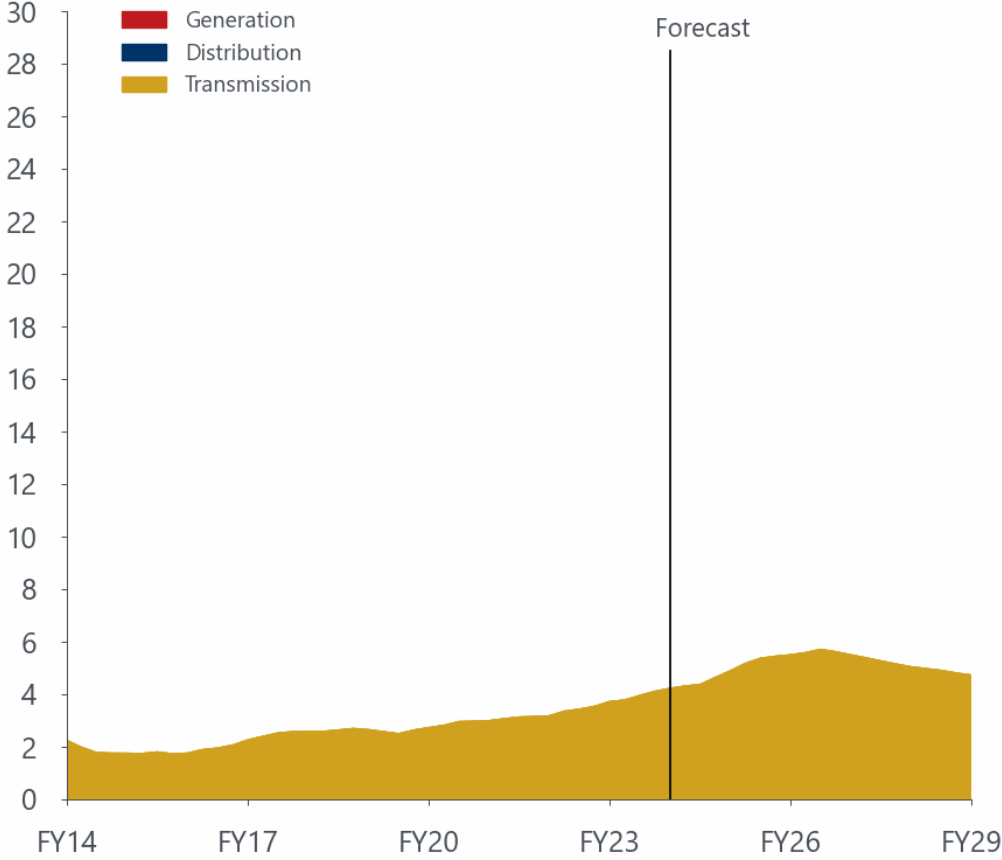


Source: ABS, Oxford Economics Australia

Electricity work is now at record levels ...

Electricity Construction Work Done, AUS

A\$ Billion (constant prices)

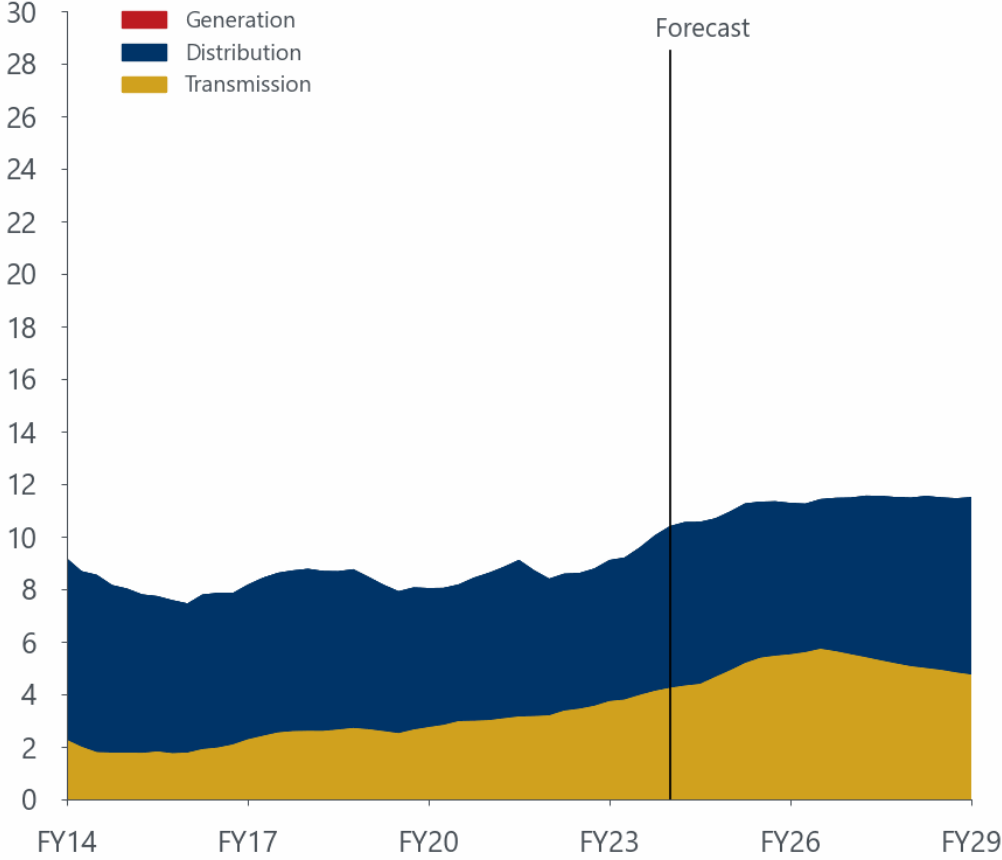


Source: ABS, Oxford Economics Australia

Electricity work is now at record levels ...

Electricity Construction Work Done, AUS

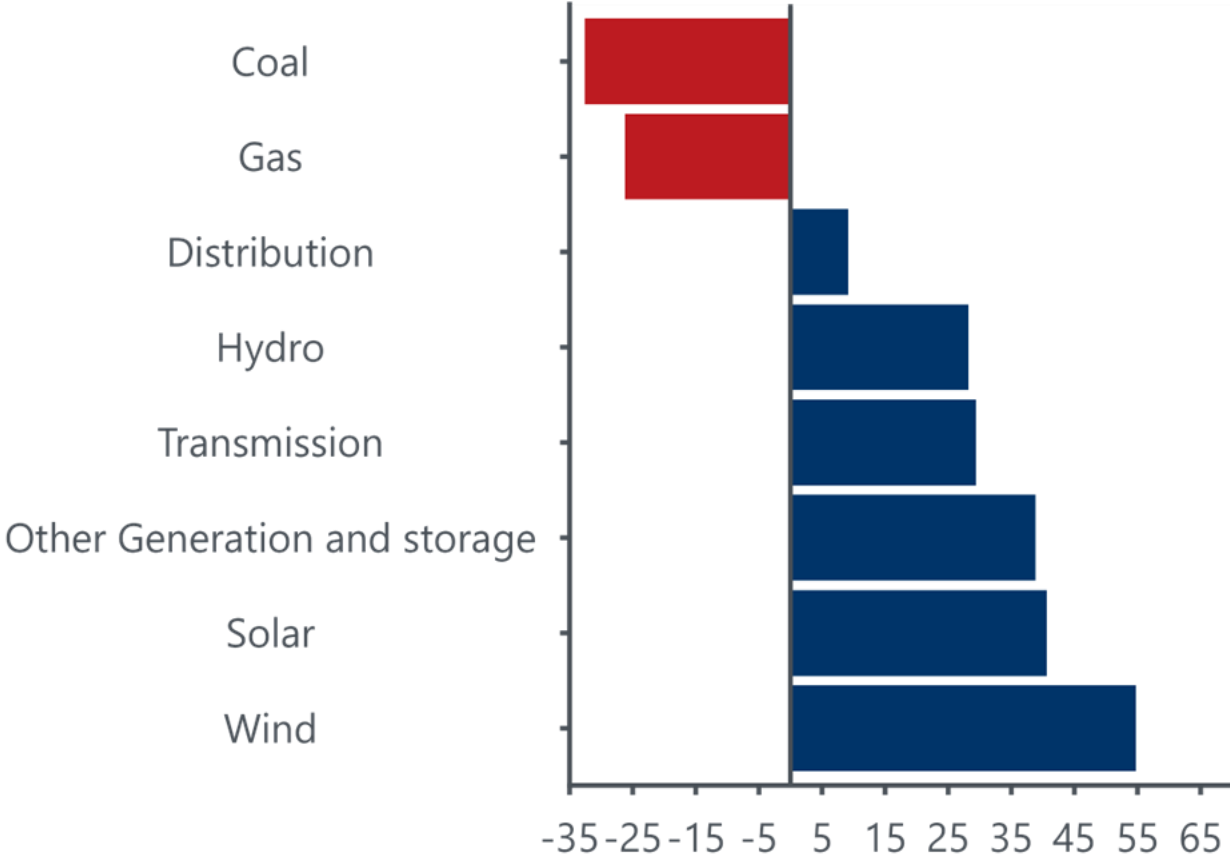
A\$ Billion (constant prices)



Source: ABS, Oxford Economics Australia

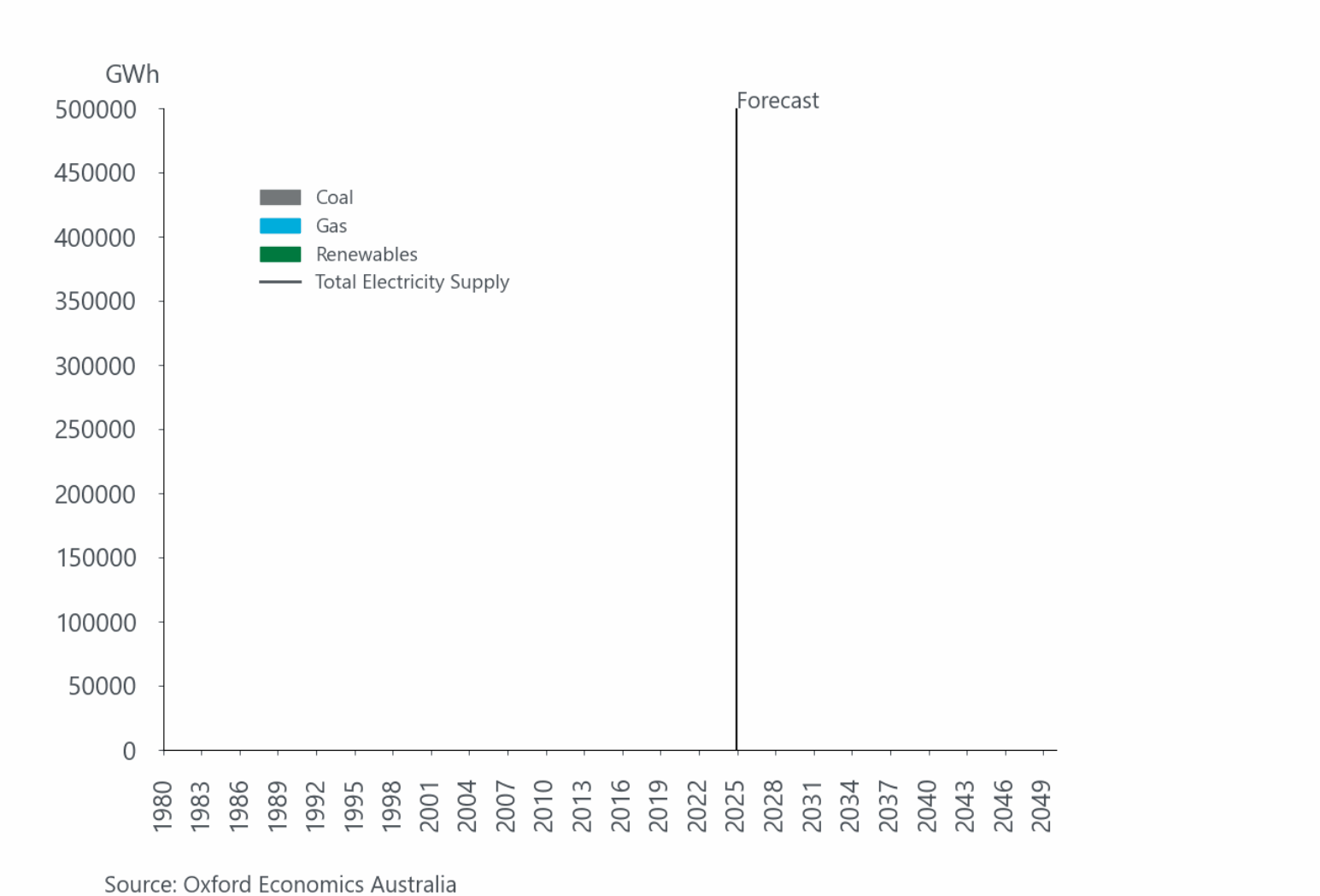
... and will continue to grow strongly ...

Electricity Winners & Losers: 5 Years
Average over next five years, % change from FY24 level



Source: Haver Analytics, Oxford Economics Au:

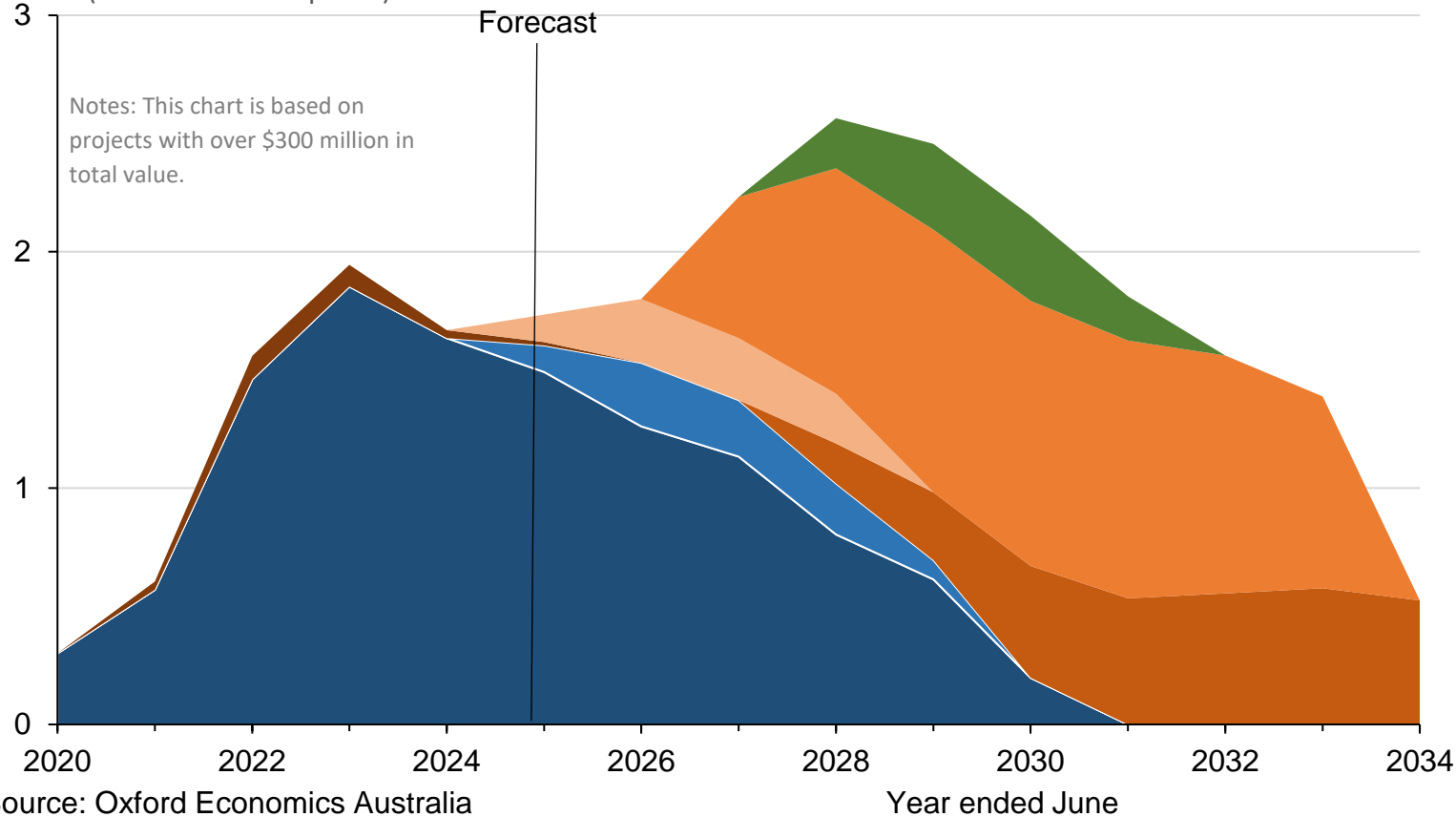
... and we expect a rapid decarbonisation of the grid



Next wave of hydro storage will be centred in Queensland

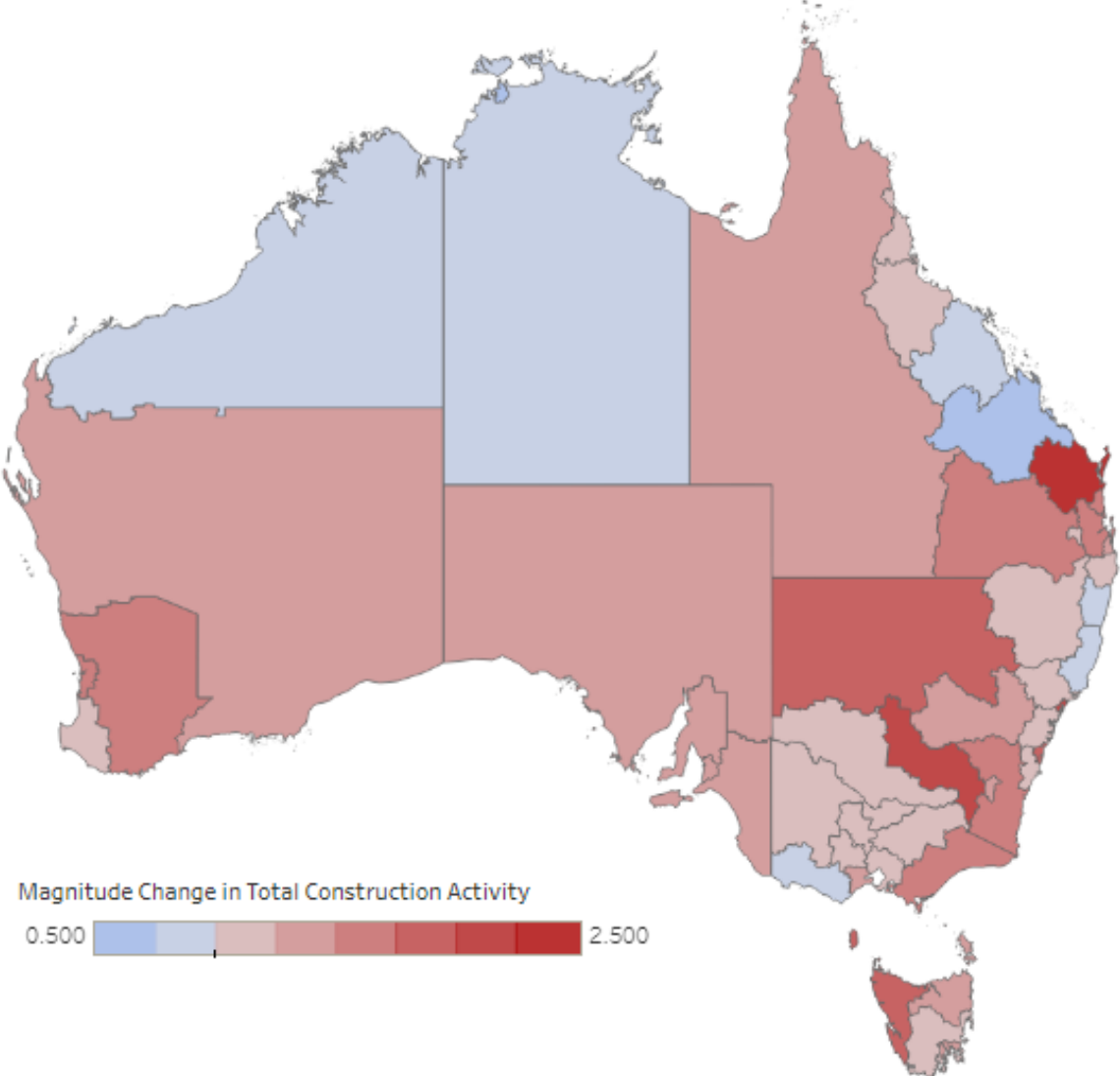
Major Hydro projects (over \$300 million)

\$ Billion (in FY23 constant prices)



Source: Oxford Economics Australia

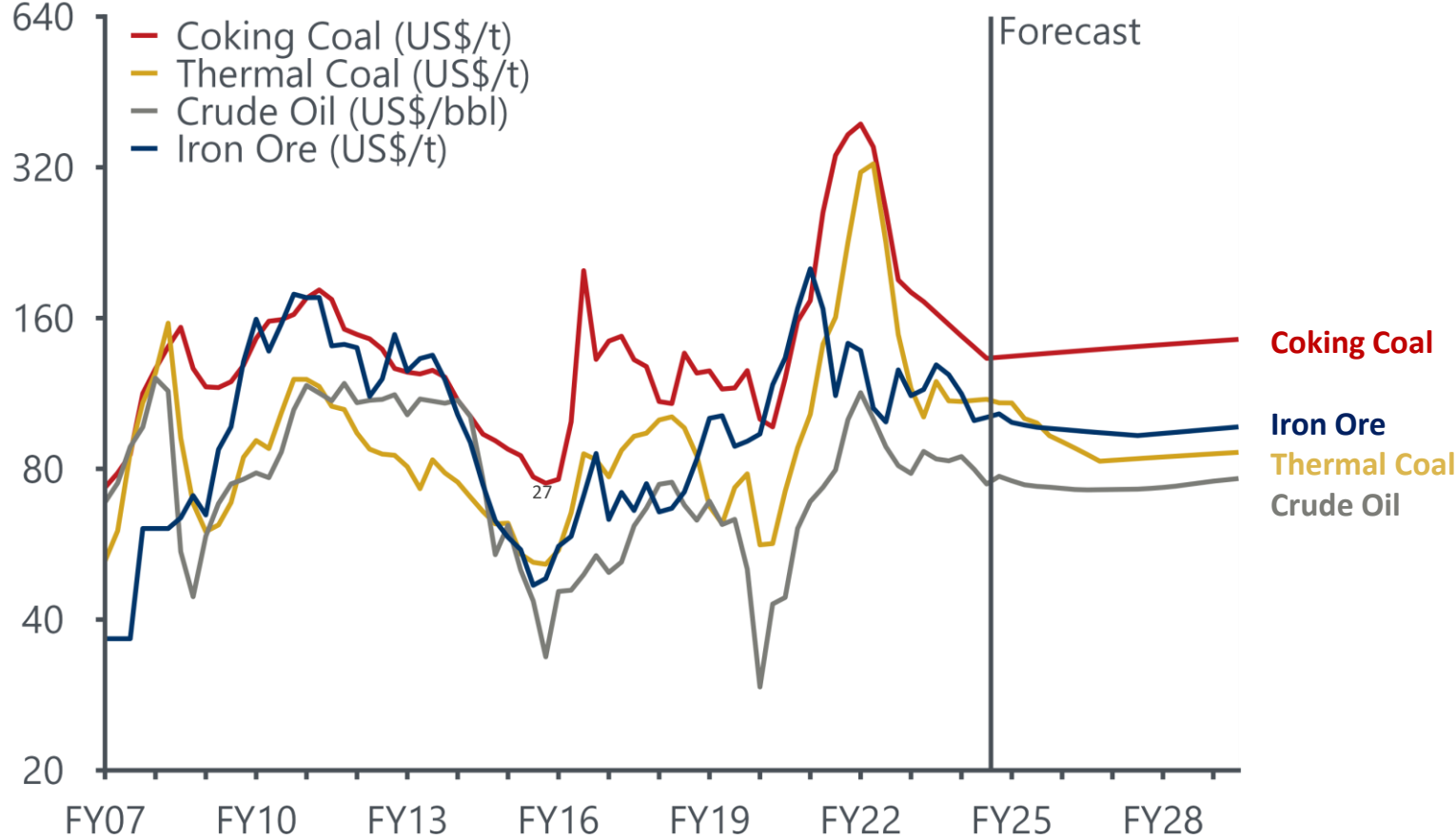
Work is being pushed to regional areas



Global energy have fallen over the past year

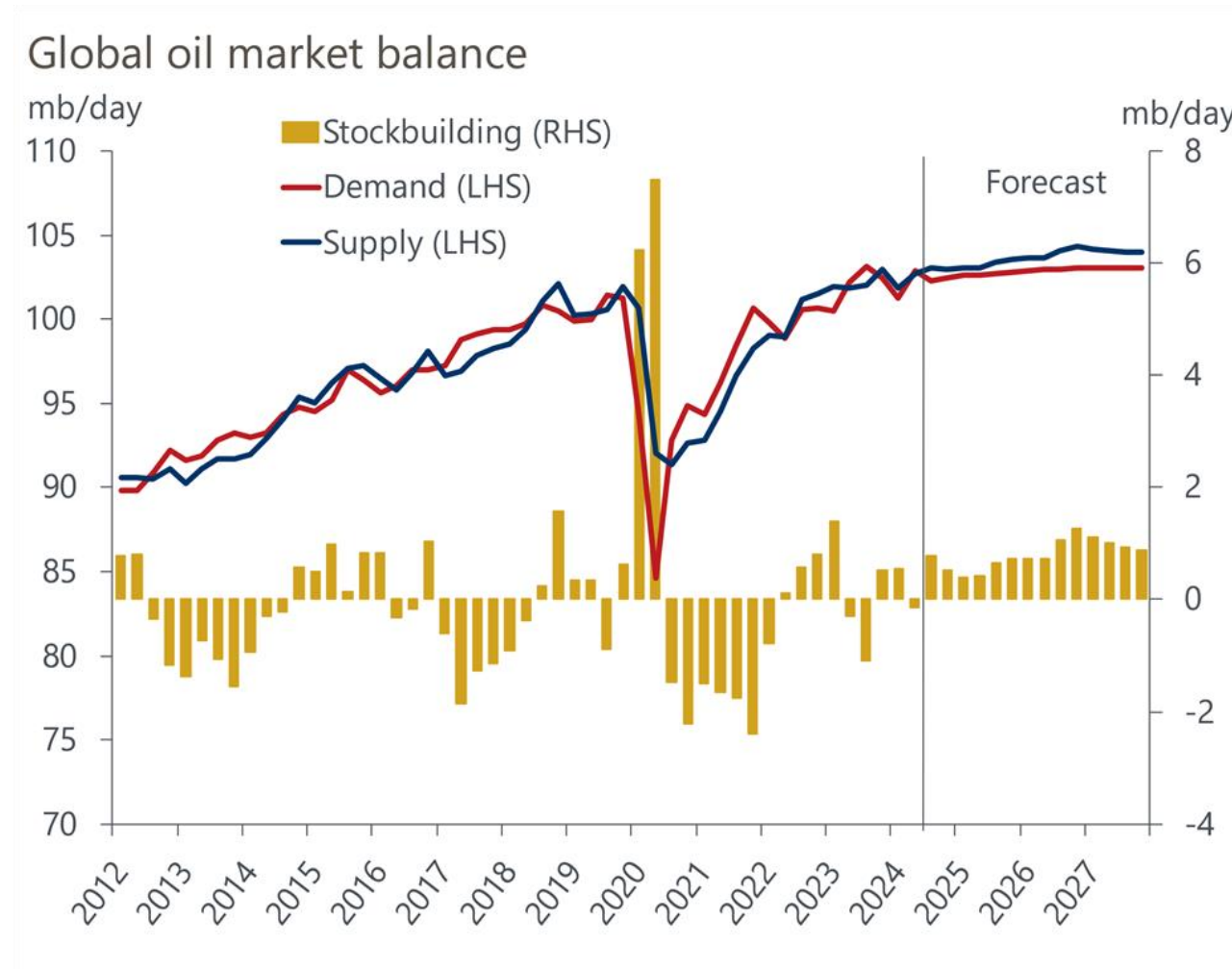
Commodity Prices - Oil, Coal and Iron Ore

Quarterly Average Price, log scale

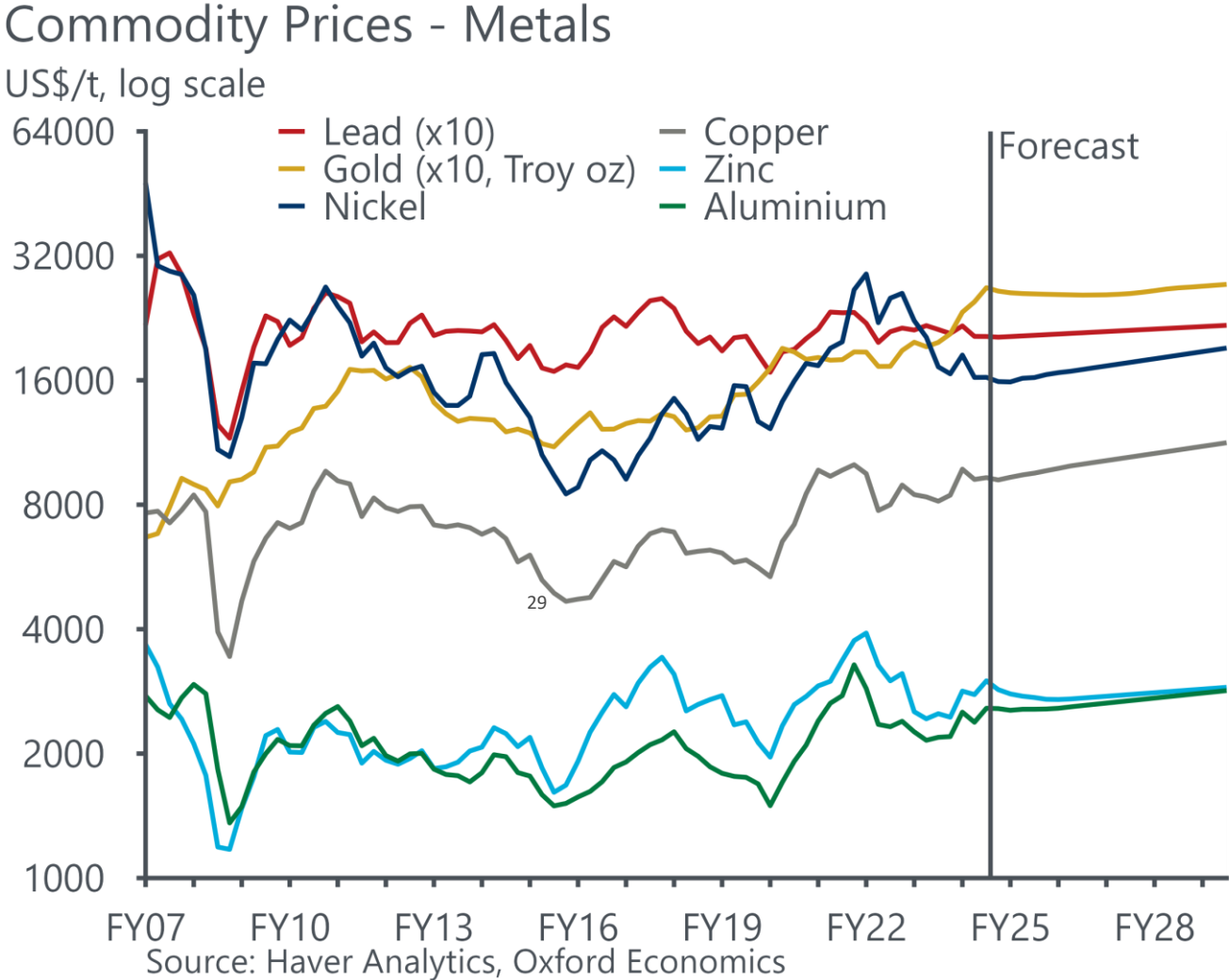


Source: Haver Analytics, Oxford Economics

... with limited upside for crude oil prices



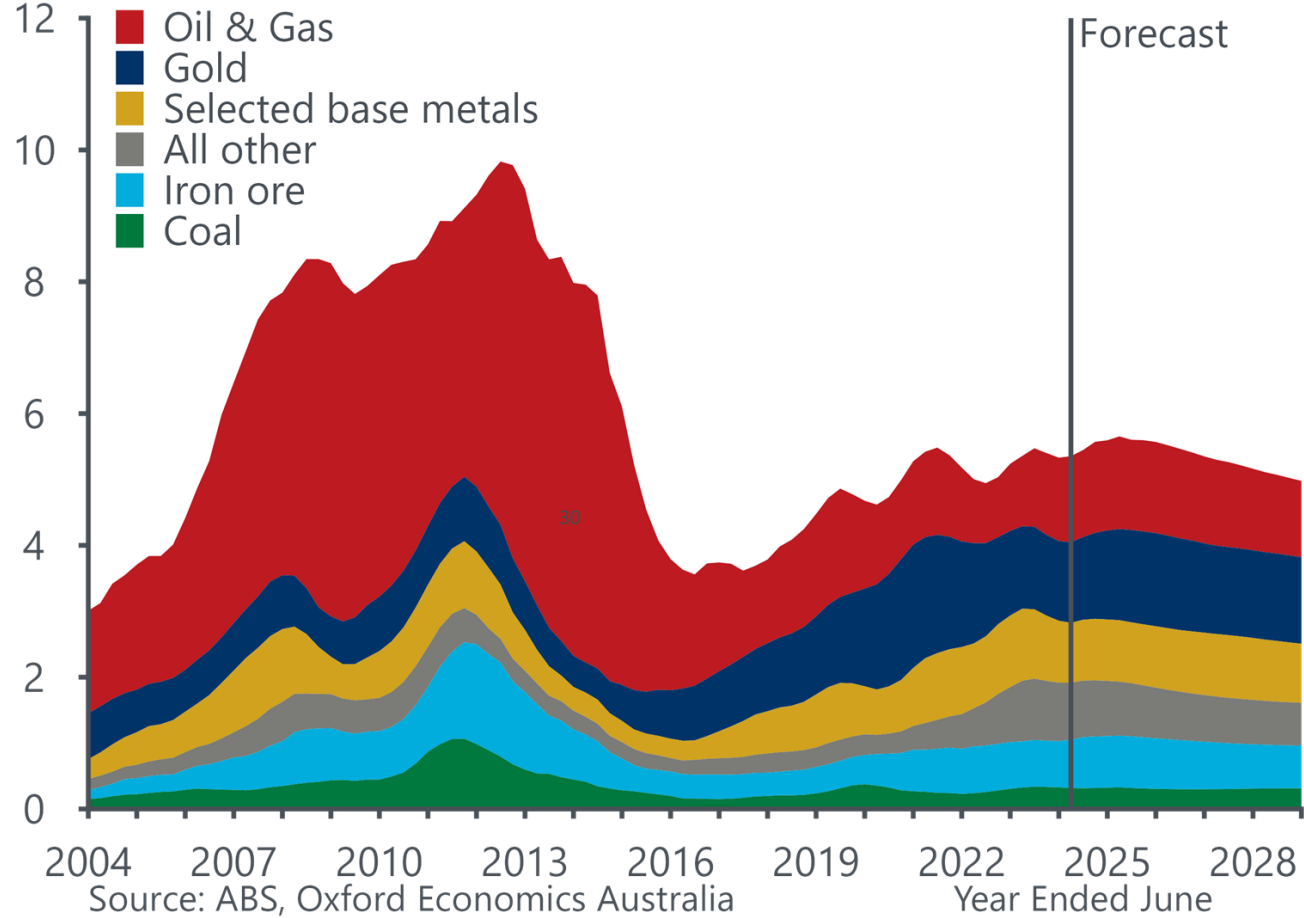
China's real estate slowdown is weighing on base metal prices



Oil and gas exploration set to grow strongly

Exploration Expenditure by Commodity

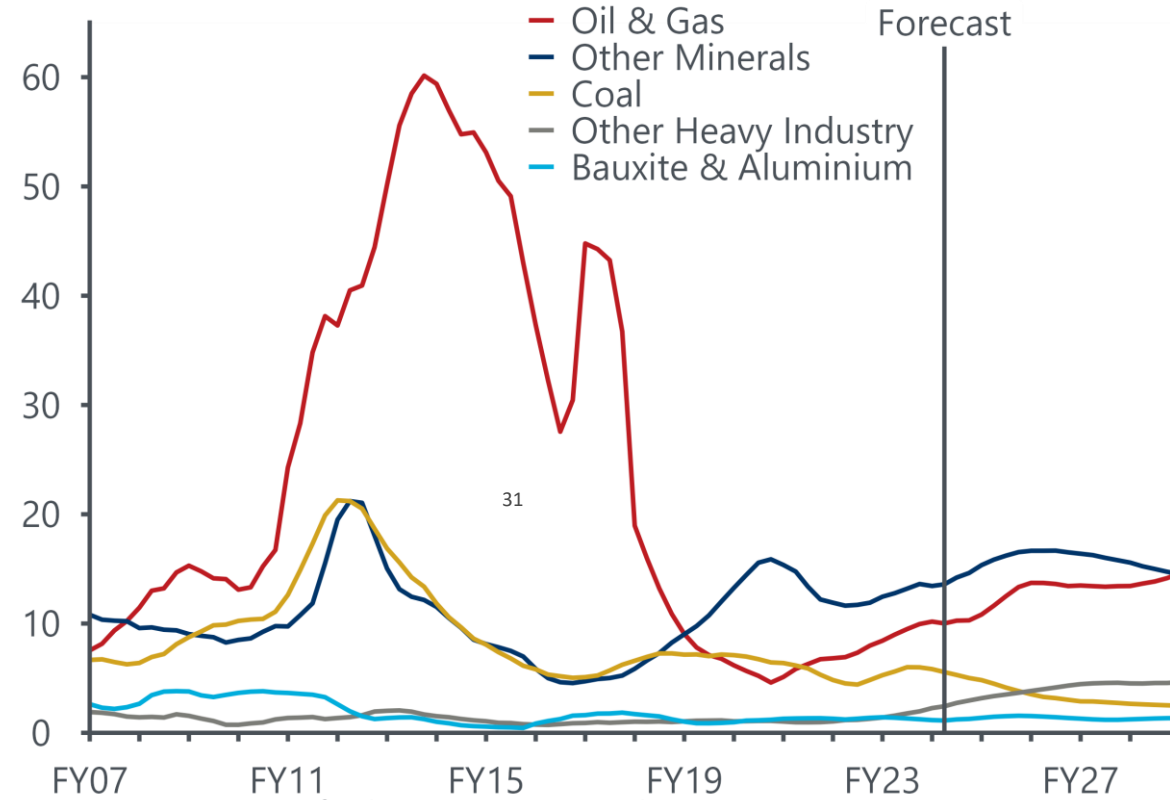
\$bn, FY20 prices



Activity will remain well short of the previous peak

Mining Construction Work Done, AUS

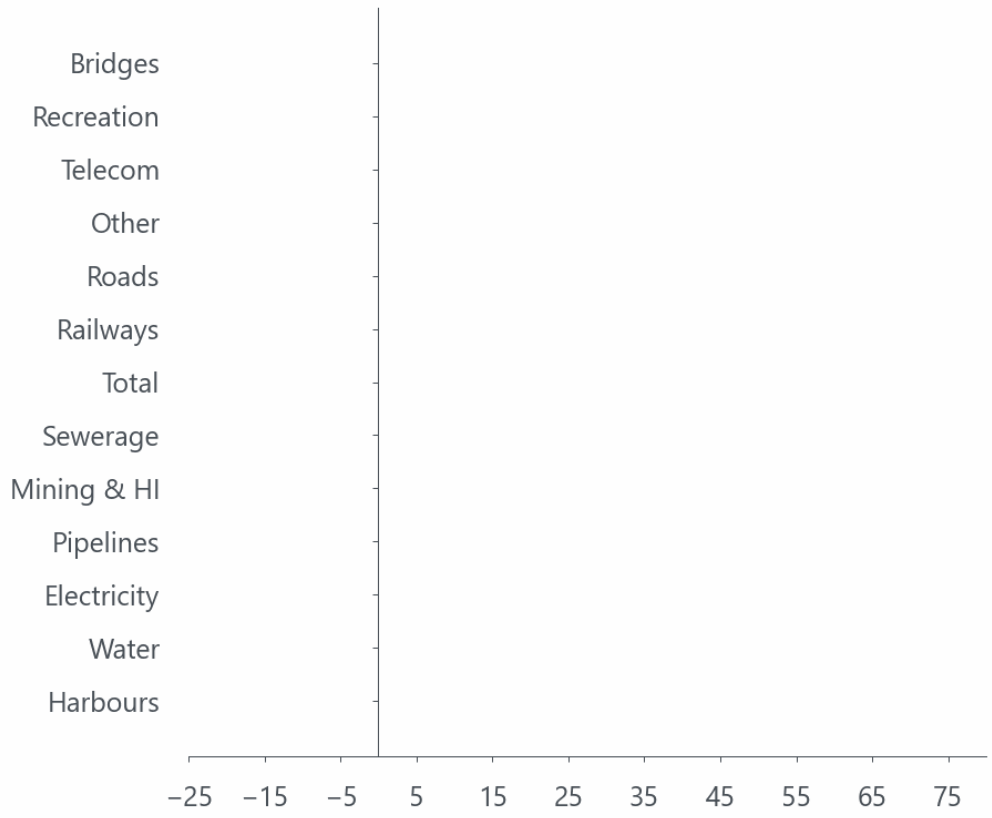
A\$ Billion (constant prices)



Source: ABS, Oxford Economics Australia

Growth is transitioning from transportation to utilities

Sectoral Winner & Losers:2 Years
Average over next two years, % chang from FY24 level



Source: ABS, Oxford Economics Australia

The transition from transport to utilities

- What happened over 2024?
- Activity continued to grow. Strong growth in WA and QLD
- What will happen next?
 - Government spending will peak
 - As transportation boom approaches the peak
 - Transition from transportation to utilities
 - First electricity, then water
 - Mining investment and the move to net zero

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