



Industry Snapshot

Building and Construction Industry Training Fund

June 2009



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Executive Summary

The purpose of this report is to provide recent data to show the dramatic changes that have occurred due to the Global Economic Crisis (GEC) of 2008/09 and how they are impacting on the Building & Construction industry in Western Australia.

The report will be provided on a quarterly basis to enable recent events to be monitored, evaluated and used as a basis for decision making.

The GEC has caused major changes to the employment prospects of apprentices and trades-people within the Building & Construction Industry. The long-term effects of these changes need to be carefully considered if we are to avoid a repeat of the previous five years of skills shortages.

2009 to Date

Consumer Price Index.

The Perth consumer price index fell by 0.1% in the March quarter 2009, while at a national level, the eight capital city weighted consumer price index increased by 0.1%. Clothing, transport and housing were the main contributors to Perth's moderated inflation. Over the year to March 2009, Perth consumer price index increased by 2.2% compared to the eight capital city weighted consumer price index.

Interestingly, underlying measures of inflation are still showing strong growth.¹

Employment State-wide

Seasonally Adjusted

In interestingly, the state's seasonally adjusted employment grew by 0.6 percentage points in May, but labour force participation also grew, to 69.5%. The seasonally adjusted employment rate rose by 3.0 percentage points over the year and grew by 0.6 percentage points over the three months to May 2009.²ABS.

Trend

The trend employment rate in Western Australia rose by 1.9 percentage points over the year to May 2009, dropped by 0.1% the three months to May and increased by 0.1% from April to May.³

Number of people employed in the construction industry

In the building industry, the most recent indications to May 2009 are that employment has stayed reasonably steady, with only a slight fall from February 2009 to May 2009 to 122,100.⁴ This is a very slight drop since February of 0.2% and only 1.2% down on the size of the workforce in May 2008. Caution needs to be exercised in interpreting the data as the quarterly surveys are only sample surveys and not census surveys.

The following graph is the totals as at May of each year, over the last 10 years.

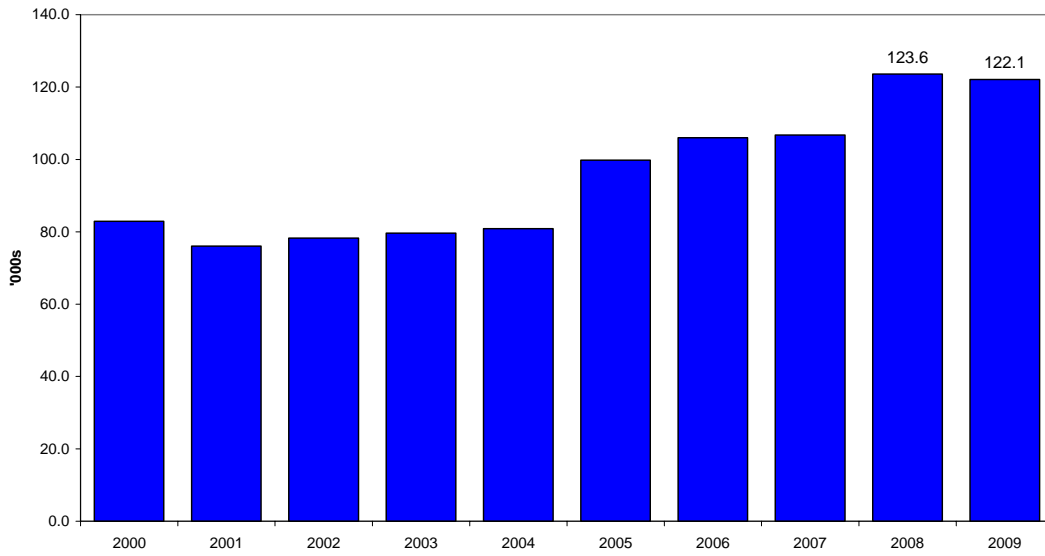
1 Department of Treasury and Finance, Economic Note; Consumer Price Index, March 2009.

2 6202.0 Labour Force, Table 08. Labour force status by Sex - Western Australia - Seasonally adjusted.

3 Department of Treasury and Finance. Economic Note, Labour Force, May 2009 <http://www.dtf.wa.gov.au/>

4 Australian Bureau of Statistics. Table 05. Employed persons by State and Industry. <http://www.abs.gov.au/AUSSTATS/abs@.nsf/>

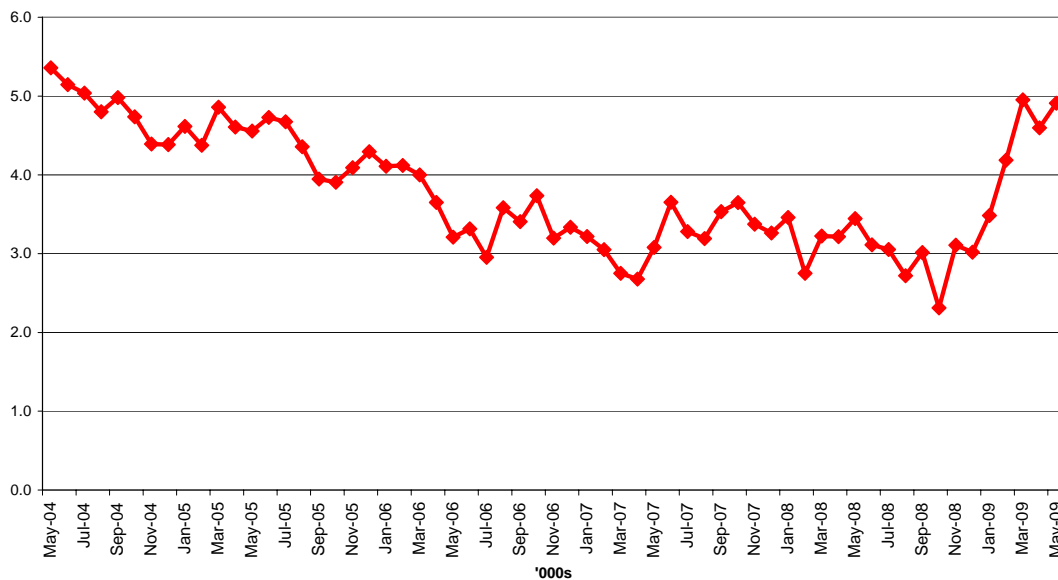
Number Employed Construction Industry WA



Unemployment

The unemployment rate in Western Australia increased slightly in the last period by 0.3 percentage points to 4.9% between April and May.⁵

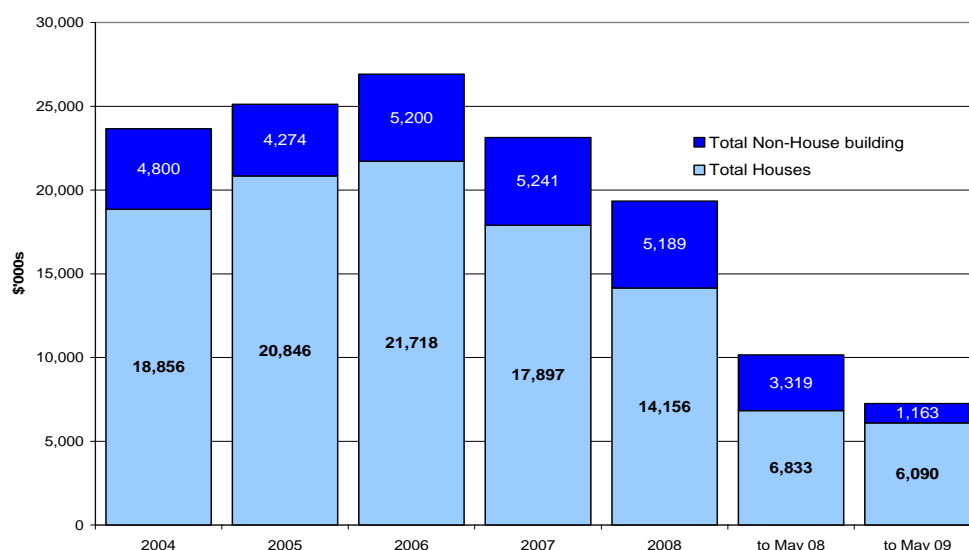
Unemployment Rate Seasonally Adjusted over the last 5 years



⁵ Department of Treasury and Finance, *ibid.*

Number of Building Approvals

Building Approvals over the Last 5 years



The graph shows that the number of Buildings approved is down from a peak in 2006⁶. The most significant fall in activity is in the non-house building sector. Note that:

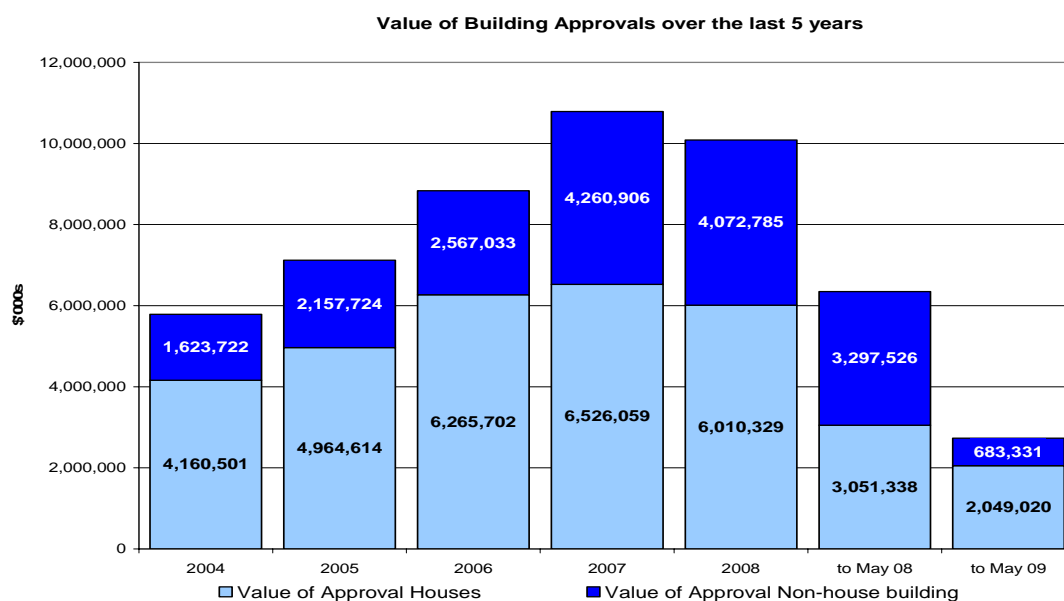
- Building activity in the house building sector for the year so far to May 2009 is down by 11% on the previous year, but down by 65% for the “non-house” building sector for the same period.
- House building activity is down by 6% in May 2009 compared to May 2008 while non-housing building activity is down by 61% for the same period.
- House building activity for the month of May is up by 26% on the previous month while non-house building is up by 30%.

It is clear that most of the activity is in new housing, this breakdown of the activity indicates that activity so far this year is down on the first quarter of last year; overall activity, it is down 31% while *apartment building 4 storeys and above* is down by 91%.

Number of New dwelling units	Semi-detached, row or terrace houses, townhouses etc	Flat, unit or apartment in a building of 1-2 storeys	Flat, unit or apartment, 3 storeys	Flat, unit or apartment in >4 storeys	Flats, units or apartments	Other residential building	Total residential building
Total 12 months to April 2009	2169	135	179	1270	1584	3753	19489
Total last ¼	670	25	74	125	224	894	5405
Total first ¼ 2008	999	46	127	1468	1641	2640	7804
% total past year	11.1%	0.7%	0.9%	6.5%	8.1%	19.3%	100%
% total last ¼	12.4%	0.5%	1.4%	2.3%	4.1%	16.5%	100%
% comparison to first ¼ 2008	-33%	-46%	-42%	-91%	-86%	-66%	-31%

⁶Denotes apartment in a building of four or more storeys'. This differs from the 'Total flats, units or apartments' category by the exclusion of 'Flat, unit or apartment attached to a house' and 'Other residential building; number of storeys unknown'.

Value of Building Approvals



The graph shows the value of housing and non-house building (which is other residential and non-residential), and the cumulative total of the 2, over a 5 year period, as well as the value of work approved so far this year compared to the value of work approved for the comparative period in 2008⁷. The value of building approvals :

- For the first 5 months of 2009 is down by 40% compared to the first 5 months of 2008. Value of building in the non-housing sector is down by 71%
- The value of work approved in May 2009 in the housing sector is up by 20% on the previous month but it is still down by 38% on the value of work approved in May 2008.
- In the non-house building sector work is up by 12% on the value of work approved for the previous month but down by 81% on the work approved in May 2008.

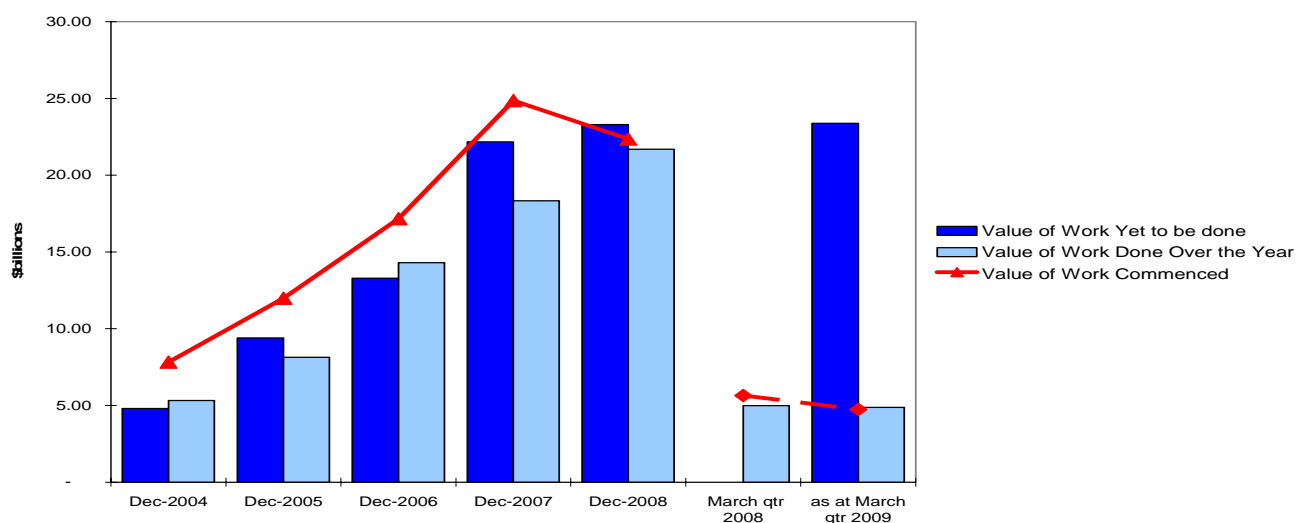
Engineering Construction Activity.

The value of Engineering Construction Work Done has not gone beyond the peak in 2008 with \$21.7 billion worth of work in original prices, which was an increase of 18% on the previous year and a 14% increase on the previous quarter.⁸

⁷⁷ 8731.0 Building Approvals. Table 34. Value of Building Approved, Western Australia Original prices.

⁸ 8762.0 Engineering Construction Activity, Australia Table 5. Activity, Original ABS April 2009.

Engineering Construction Activity



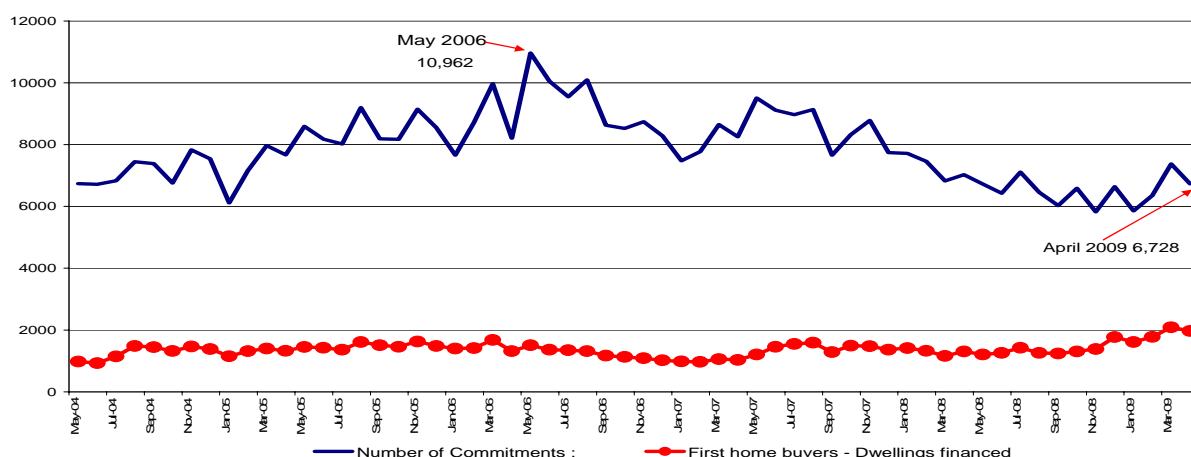
The backlog of activity in engineering construction is still significant. In WA, around \$23,377.8 million of engineering construction work remained outstanding in March 2009, a slight increase on the \$23,292.6 outstanding in December 2008. There was a slight drop in the work done \$4,871.5 million and in the work commenced in the March quarter for this year, compared to the work done (\$4,986.0 million) and the work commenced in March 2008.

Housing Finance Commitments

Owner occupied housing finance commitments reached a peak in May-2006 with 10,962 for the month. In January 2009 owner occupied housing finance commitments were 5,859, increasing to 6,350 in February, 7,371 for March and 6,728 for April which is a fall of 8.7% on the previous month.

The first home owner activity fell slightly for the month of April, to 1,967 from 2,091 but it has risen in market share over the last 12 months from 18% to 29% as at April 2009.⁹

Number of Owner Occupied Housing Finance Commitments WA



⁹ ABS, 5609.0 Housing Finance Australia to April 2009, Accessed July 2009.

Underlying Demand

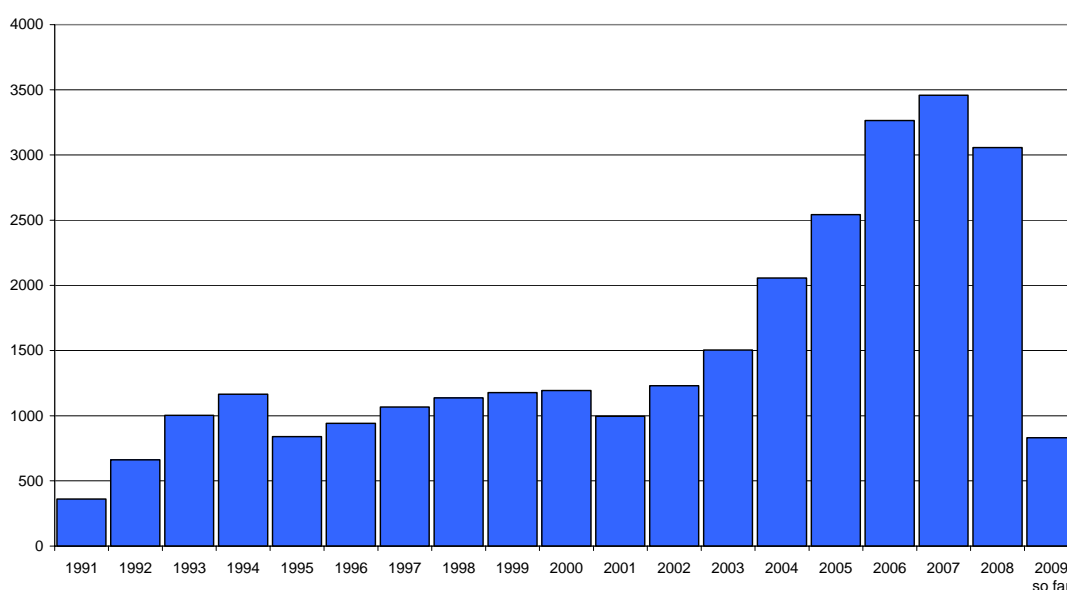
The state of the rental market puts pressure on the new housing market. The current vacancy rate as at March 2009 is 2.9% in Perth which is an increase of 0.5% in the last 3 months and 1.5% increase on the previous year with a median rent of \$370 which is no change in the last ¼ but a 15% change in the last 12 months. Such increases, along with the fall in interest rates will make the purchase of a new house a more attractive proposition.¹⁰

¹⁰ Property Market Indicators <http://reiwa.com/res/res-marketindicators-display.cfm>

Apprentice commencements

Apprentice commencements have been very strong over the last few years, with a peak occurring in 2007, and commencements for 2008 were down by 11.7% on the peak. There is evidence to show that there has been a further reduction in the number of apprentices in-training and a reduction in the overall number of apprentices commencing in 2009 with 462 commencing in the first quarter of this year which compares unfavourably with 742 for the same period last year. Nonetheless, the last few years have seen unprecedented numbers of apprentices commencing. The graph below is commencement numbers for all of the building industry including the trade of Electrical Mechanic.

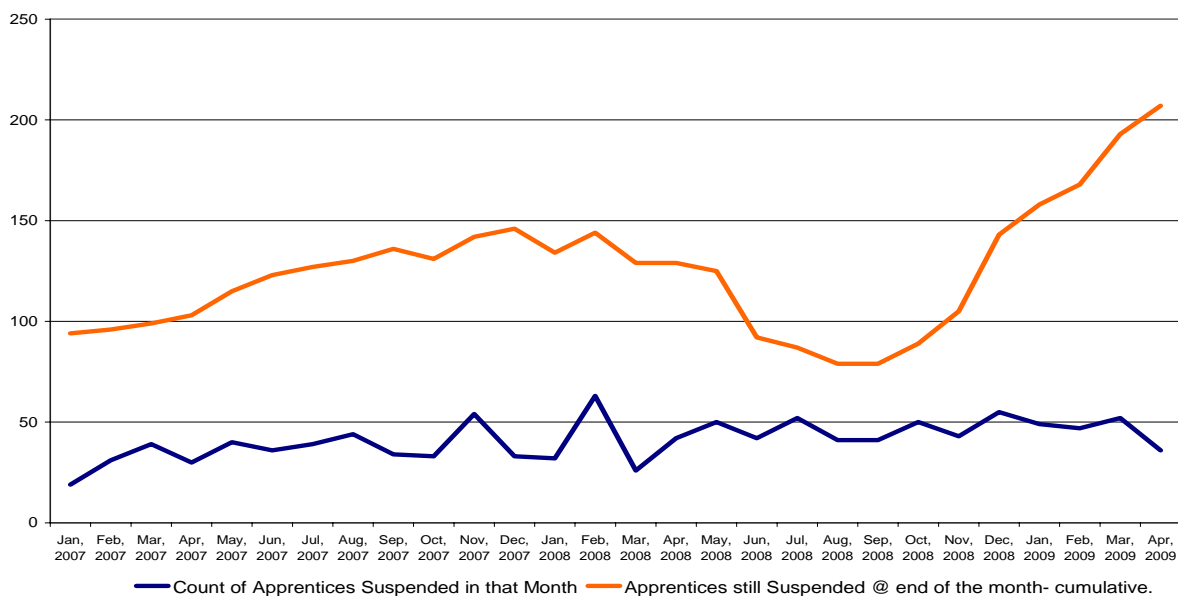
Apprentice Commencements in Building and Construction Over the last 20 Years



Apprentice Suspensions

Apprentices suspended are up somewhat with 207 apprentices on suspension at the end of April 2009 and which represents a rate of 4% of apprentices in training, compared with 143 at the end of 2008. Only 2% of Electrical mechanics are suspended at the end of April while Bricklaying has 9%, Plastering has 5% and Carpentry and Joinery has 4% of apprentices on suspension. The graph below compares suspension activity for the month (the number of apprentices suspended in that month) and the cumulative total of apprentices on suspension. It appears that the actual numbers of apprentices being suspended each month has not risen but it appears that those that are suspended, fewer are being re-engaged.

Suspended Apprentices over the last 2 years



Apprentices currently “In Training”

As at April 2009, apprentices-in-training are at an all time industry peak with 8067. This is due, in part to record commencements which have been experiencing a significant upward trend since 2001. Nonetheless, in-training numbers have now begun to stabilize, as the growth has been slowing over the last couple of years.

The graph shows commencements and in training for all of the industry, including Electrical Mechanics. In-training is a measure of all the currently “active” apprentices, from 1st to 3rd or 4th year apprentices, so commencement numbers need to remain strong to ensure ongoing high levels of apprentices in training.

Commencements and Apprentices in Training

