GROWTH: A leading building market analyst predicts Queensland will play a major role in the building sector recovery from a downturn.

Recovery forecast

Qld major player in halting downturn

CHRIS HERDE

THE downturn in the Australian building sector will bottom out this financial year with Queensland forecast to play a major role in the recovery.

Leading building market analyst and economic forecaster BIS Oxford Economics found national building commencements contracted by about 12 per cent in 2018-19 to A$109.8 billion from the record peak reached in the previous financial year.

The downturn has further to run with an 8 per cent decline forecast for 2019-20, with the fall in residential building outweighing growth expected in the non-residential sector.

According to the report, the downturn has come through a combination of tougher lending practices and falling property prices hit new property demand. .

BIS Oxford Economic managing director Robert Mellor said this financial year will be the lowest point in the cycle, with interest rate cuts, easing mortgage serviceability tests and first homebuyer stimulus kicking in to generate a broad recovery.

"Total building activity is anticipated to climb near its previous peak over the coming five years and Queensland and Western Australia are well-positioned to lead the next residential upturn, ahead of NSW and Victoria," he said.

"Strong population growth, a rising national dwelling stock deficiency and housing stimulus are set to provide considerable support to the residential building and renovation sectors."

Despite the severity of the downturn, national residential commencements will bottom out at 152,900 dwellings which is well above the average of prior cycles back to the 1970s.

The report found that undersupply will drive the residential market over the four years, with dwelling commencements forecast to rise a cumulative 55 per cent to a peak of 236,650 in 2023-24.

Non-residential building commencements, after a small step back in 2018-19, will hold at a record base of around $47 billion per annum through to 2022-23.

Both private and public sector demand is expected to contribute to the positive outlook.

Mr Mellor said NSW and Queensland will lift to record levels in non-residential building over the next two years.

"Combined with strong population growth, tightness in some asset classes and most importantly a strong project pipeline, the non-residential outlook remains favourable," he said.

with gains

CHRISTINE MCGINN

THE Australian stock market is expected to start the week higher, with nervousness easing over a slump on Friday's close.

All three indices on Wall Street were up, with the Dow Jones Industrial Average rising 51.5 points, or 0.2 per cent.

The S&P 500 rose 0.7 per cent and NASDAQ rose 1.1 per cent since Friday.

"(Over the weekend) Wall Street rallied and that points to a rally in our market on Monday," AMP Capital's chief economist Shane Oliver said yesterday. "With that strength in global markets, the ASX 200 futures contracts rose 19 points, about 0.3 per cent, so it is pointing to about a 20-point gain today, partly reversing the 25-point fall on Friday."

It comes after the benchmark S&P/ASX200 index closed on Friday down 24.6 points, or 0.36 per cent, to 6793.4 points, despite gains in the mining and energy sectors.

Dr Oliver pointed to "a bit of nervousness in Asian trading on Friday" which affected the sharemarket.

The US Federal Reserve is expected to cut interest rates by at least 0.25 per cent on Wednesday. US job figures for July to be released on Friday are expected to show about 160,000 new jobs, unemployment pulled back to 3.6 per cent and wages growth at 3.2 per cent.

Australia's headline inflation rate is expected to rise about 0.5 per cent in the quarter, about 1.5 per cent for the year, with figures for June to be released on Wednesday.

The Australian dollar was trading at US69.10¢ yesterday.