

Australia's construction industry will continue to struggle in 2013

By Cara Waters

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While property experts are predicting [house prices will make a modest recovery for 2013](#), driven by low interest rates, there is little comfort on the horizon for the struggling construction industry.

Last year was a tumultuous year for the industry with the [NSW government launching an inquiry](#) as a result of the sheer number of construction businesses that collapsed during the course of 2012.

The problem wasn't confined to NSW alone, with the collapse of the Hastie Group and St Hilliers along with hundreds of smaller construction companies signalling the nationwide problems in the sector.

The slump in construction looks set to continue with the latest Australian Performance of Construction Index showing the national construction sector finished 2012 in negative territory.

Commercial construction and engineering construction contracted at a slower pace while house building and apartment building declined further.

Given the tough business conditions, it is unsurprising that the construction industry is continuing to reduce employment.

There continues to be a prevailing sense of caution in households, businesses and most importantly the financial sector, so construction starts and completions are likely to continue to languish.

Harley Dale, the chief economist at the Housing Industry Association, says he is tipping a "modest recovery" for new home building in 2013.

However, Dale admits this modest recovery comes from recessionary levels of new home building and the industry is by no means out of the woods yet.

Business sentiment and confidence continues to be fragile and the finance simply isn't there to enable a strong recovery to take place.

One thing that could be done to bolster the construction industry is spending by government on infrastructure projects to keep work flowing through the construction industry until consumer and business building picks up.

Action needs to be taken now rather than sitting around waiting for the outcome of the NSW government's inquiry.

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