



CONSTRUCTION MACHINERY (CON)

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Overview

Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	761	781	808	837
Total Local Production	509	522	540	559
Total Exports	225	230	238	246
Total Imports	477	489	506	524
Imports from the U.S.	164	200	207	214
Exchange Rate: 1 USD				

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Source: Australian Bureau of Statistics/Industry Estimates

The construction industry in Australia continues to slow down on the back of supply constraints and easing of the mining sector boom. The apartment boom in Victoria appears to have come to halt as demand tapers off and the residential sector across Australia moderates. Non-residential sectors show a fragmented outlook with overall growth slowing to 8% (from 10%) in 2014. LNG and mining projects in the states of Queensland (QLD) and Western Australia (WA) continue to support strong growth (14.7%) in the heavy industrial sector.

Supply constraints are the greatest concern to the construction industry. While there is still demand, particularly in WA and QLD as noted above, shortages in labor, materials and plant and equipment is causing costs to rise and slowing growth across all other sectors. Approximately 35% of business owners reported moderate to strong difficulty in hiring or purchasing plant and equipment in 2013. A number of construction firms, particularly in NSW, collapsed in 2012 due to these supply constraints.

Despite these issues, economists continue to be optimistic for the sector over the next few years. There is expected growth in the industry with 3.5% annual increases anticipated between 2013 and 2019. The key factors influencing the growth of the industry in Australia are major infrastructure projects which include: transport, mining, electricity, telecommunications, sewerage and water supply, and other civil projects (including the construction and upgrading of freight and port facilities). The continued development of Australia's infrastructure is a key priority for the Australian Federal Government with an advisory council having been set up to work in partnership with State and Federal Government representatives and business leaders to determine significant infrastructure requirements. A total of 103 public sector projects, valued at approx. USD 58 billion, are listed on the National Infrastructure Construction Schedule (NICS).

In 2012, the U.S. accounted for 41.7% of construction machinery imports. The 2005 Free Trade Agreement between the U.S. and Australia (AUSFTA) has eliminated import duty on construction machinery from the U.S. Major U.S. manufacturers supplying the Australian market include: Caterpillar, Case New Holland, John Deere, Ingersoll-Rand, Bobcat, Vermeer, Manitowoc, Terex, and Ditch Witch. Popular Japanese construction equipment brands in the Australian market include: Komatsu, Hitachi, Kobelco, Kawasaki, Kubota and Sumitomo. The main German brands in this market are Liebherr, Demag and Bomag. Construction machinery imports, the majority of which is for the mining sector, has decreased by 44% in the six months ending March 2013.

Australian manufacturing is mainly small amounts of customized products such as: attachments (buckets, tractor tires, cabs, wheels and rims), replacement parts and wear parts for incorporation into imported base units. While construction machinery prices range from a few thousand USD to an excess of one million USD, the local industry manufactures items at the lower end of the spectrum.

Sub-Sector Best Prospects

- Heavy industry sector-particularly machinery for the construction of LNG facilities
- High-tech machinery that provides reliability, safety and precision
- Heavy duty construction vehicles- off-highway dumpers, graders and levelers, self-propelled track laying bulldozers and angle dozers

Opportunities

Queensland (QLD), Victoria (VIC), South Australia (SA) and Western Australia (WA) are still planning major infrastructure projects. These include:

Project	Location	Value USD (millions)	Planned Commencement Date
SCADDAN ENERGY JOINT VENTURE COAL PROJECT	WA	21,000	June 2013
CURTIS ISLAND LNG PLANTS	QLD	20,000	March 2014
CHINA FIRST COAL PROJECT	QLD	8,000	July 2013
OLYMPIC DAM COPPER GOLD SILVER URANIUM OPERATIONS EXPANSION	SA	7,000	On hold
RAPID GROWTH 6 IRON ORE PROJECT	WA	6,500	July 2013
NEW SPORTING STADIUM	WA	1,100	TBA 2014

Source: Construction Forecasting Council

Resources

Associations:

Australian Building Codes Board: <http://www.abcb.gov.au>
Australian Construction Industry Forum (ACIF): <http://www.acif.com.au>
Australian Constructors Association: <http://www.constructors.com.au>
Australasian Tunneling Association: <http://www.ats.org.au>
Infrastructure Partnerships Australia: <http://www.infrastructure.org.au>
Civil Contractors Federation: <http://www.civilcontractors.com>
Department of Infrastructure, Transport, Regional Development and Local Government: <http://www.infrastructure.gov.au>
Housing Industry Association: <http://www.hia.com.au>
Master Builders Australia Inc.: <http://www.masterbuilders.com.au>
Australian Constructors Association <http://aigroup.com.au>

Trade Shows:

DESIGNBUILD
Date: 2-4 April, 2014
Frequency: Annual
Location: Melbourne, VIC
Website: <http://www.designbuildexpo.com.au>

CONSTRUCTION AND MINING EXPO
Date: 9-11 April, 2014
Frequency: Biennial
Location: Perth, WA
Website: <http://www.cmeexpo.com.au>

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