



HIA Forecasts

HIA Forecasting Process

HIA Economics is a team dedicated to expanding the understanding of residential building and the industry's role in the economy, and has developed a strong track record of forecasting building activity. While HIA's housing forecasts are reviewed and published at four discrete points each year, the research which underpins the forecasts is an ongoing process.

The research can be grouped into five broad categories: tracking construction activity; assessing broader economic conditions; liaising with industry participants; modelling demographic developments in the context of housing demand; and assessing supply side factors. These areas of research are discussed in more detail under the sub-headings below.

After reviewing contemporary developments and relationships between determinants of building activity across each of the five research areas, the economics team assess whether any variation to the forecasts are required. Any changes considered necessary are then quantified and reflected in the next published edition of the forecasts.

Tracking construction activity

HIA Economics has an ongoing and systematic process for monitoring a wide range of data sets from both official and private data sources relevant to the housing and construction sectors. In addition, HIA Economics also has a primary data collection program and also maintains a number of proprietary data sets tracking specific parts of construction industry activity.

Liaison with industry

The depth of HIA Economics' consultation with industry participants is a unique element of its forecasting process. With a network of state offices located in every capital city and a number of offices located in major regional centres around the country, HIA has a strong national presence. The Association's organisational structure enables direct lines of communication with a wide range of industry participants around the country, both internally and externally. This provides invaluable insights, beyond what can be gleaned from quantitative analysis.

Assessing broader economic conditions

Conditions within the construction industry are influenced, both positively and negatively, by a wide range of factors external to the industry. The performance of Australia's economy is evaluated relative to the nation's key trading partners, with regard to the sectoral and geographic drivers of growth. In forming an opinion on the likely trajectory of economic activity, a wide range of factors are considered, inter alia, household consumption, public and private capital investment, the credit environment, interest rates, inflation, labour market conditions, and changes in government policy settings.

Demography and demand for housing

Analysis of Australia's demography and its implications for housing demand is an important area of research. The modelling of future housing demand considers natural population growth, interstate migration and overseas migration, and the propensity of the population to form various types of households, in addition to occupying various types of dwelling. HIA's unique research - Housing Australia's Future - provides the only scenario analysis available in Australia that considers Australia's future new housing requirements.

Supply side factors

The ability of industry to access the requisite inputs for construction is an influential factor in determining the quantity of new homes that can be built. Shortfalls in non-tradable inputs (i.e. those that cannot readily be imported to supplement a domestic shortfall in supply) such as the quantity of land available for residential



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development and the supply of skilled labour represent potential constraints on the quantity of housing that can be built.

The HIA closely monitors state planning policies and the extent to which these are implemented. Planning policies have a pivotal role in the supply of available land and also have an influential role in determining the types of dwellings that are supplied to the market. In a similar regard, the HIA monitors the immediate balance of supply and demand for skilled construction labour, and also considers the long term implications of construction workforce demography, state and federal training policies, and skilled migration.