

## Australia's investment project pipeline: in focus. Pipeline climbs to record highs and more projects progress to definite stage. Value of construction work rises sharply.

Australia's pipeline of investment projects has climbed to fresh record highs in 2023.

The value of projects in the investment pipeline was valued at \$946bn in the June quarter 2023, a \$180bn increase on that prior to the pandemic.

Moreover, more projects are progressing from the planning stage. The value of definite projects (those under construction or committed) is at \$439bn, up \$141bn on end 2019.

State governments, particularly in NSW and Victoria, are boosting investing in public transport infrastructure - a medium-term trend. Also, across the broader economy, there is a material lift in investment projects progressing to the definite stage.

The so what is that with a large pipeline of investment projects currently underway the value of construction work has increased sharply over the past one to two years. This is contributing, at least for now, some resilience in overall economic activity.

Here we provide a discussion of recent trends and developments in Australia's pipeline of investment projects.

For this analysis, we draw upon the Investment Monitor database compiled by Deloitte Access Economics.

### Investment Pipeline climbs to fresh record highs

The value of projects in the investment pipeline\* rose to be at \$946bn in the June quarter 2023. That comfortably eclipses the 2014 high of around \$870bn.

The June 2023 reading is up sharply from levels at the end of 2019, prior to the pandemic. Over the past 3½ years, the pipeline increased by \$180bn, a rise of 23%.

That figure tends to understate the lift in the pipeline. Notably, work on the \$51bn NBN was all but complete late in 2019, after being under construction for almost a decade.

The value of definite projects has climbed to be at \$439bn currently, to be at the highest level since 2014. This represents a sizeable \$141bn increase since the end of 2019, a rise of 47%. Alternatively, relative to the low of September 2020, the increase is 79%.

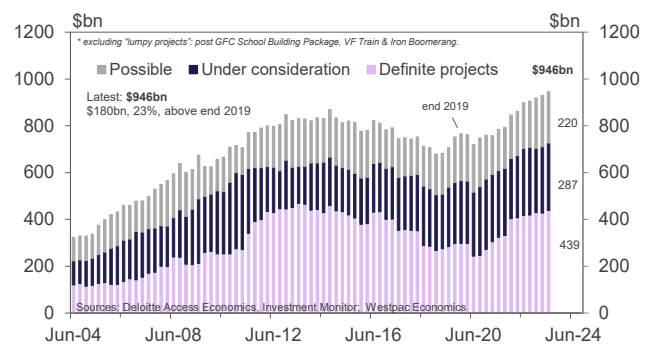
Planned projects have also increased, to be at \$506bn, an increase of \$39bn since end 2019, up by 8%.

The expansion of the project pipeline reflects the combination of a strong inflow of new projects and a slowing of the outflow of projects.

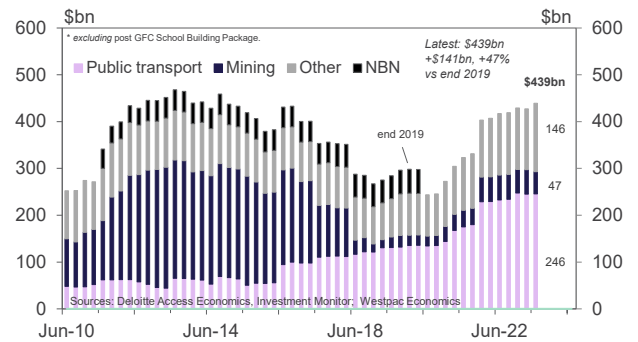
The Investment Monitor notes that: "there has been an almost 70% fall in the average value of projects completed and deleted in the last two years" compared to the pre-covid average. Covid disruptions and capacity constraints have been key drivers of this. At the same time: "the average value of projects commencing construction in the last two years has increased by 50%" compared to pre-covid.

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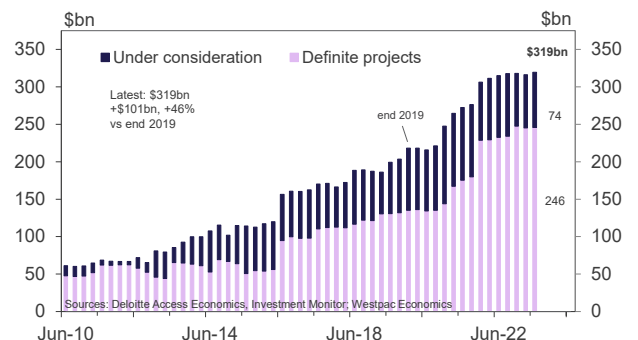
### Australia's investment project pipeline\*



### Investment pipeline: definite projects



### Public transport projects



18 August 2023

\* Note, in our analysis we strip out three "lumpy projects", providing a clearer picture of underlying trends. Excluded are: the Very Fast Train and the Iron Boomerang, neither of which progressed past the possible stage and have both been deleted from the database; as well as excluding the post GFC School Building stimulus package.

### Definite pipeline dominated by public transport projects

The mix of the definite project pipeline has shifted significantly over the past decade. A few remote gas projects dominated the pipeline back in 2014, accounting for 46% of the total, while mining in aggregate represented 53%.

The key dynamic currently is a medium-term expansion of transport infrastructure in major capital cities, particularly Sydney and Melbourne. This is a process of capital widening to meet the needs of a much larger and rising population.

State governments have proceeded with a range of public transport projects - with a notable uplift over the past few years, in part a fiscal stimulus response to the pandemic. The value of definite public transport projects is now \$246bn. That is up from \$135bn pre-covid, an increase of 82%. They now account for 56% of total definite projects.

The two most populous states, NSW and Victoria, are driving the additional investment in public transport infrastructure.

Definite public transport projects in Victoria are valued at \$108bn. That is up by \$69bn from end 2019. Driving this increase, three projects progressed from the planning stage, namely: the Suburban Rail Loop East, \$35bn for the current stage; the \$15bn road North East Link; and with a commitment to the \$10bn Melbourne Tullamarine airport rail link.

In NSW, definite public transport projects have been elevated for some, to be currently valued at \$77bn, up \$20bn on end 2019. A few projects account for much of the pipeline: the \$16.8bn WestConnex road project (to be completed in 2023); the Sydney Metro City and Southwest rail project, at \$15.5bn; and the Western Harbour Tunnel and Beaches road Link, committed at \$14bn. The database records the rail projects of Sydney Metro West and Sydney Metro - Western Sydney Airport link as under consideration. The recently elected NSW state government is reviewing the infrastructure investment pipeline.

### Investment uplift extends across the economy

The pipeline of definite projects excluding public transport stands at \$193bn currently, representing 44% of the total. That is a \$31bn increase on end 2019. Alternatively, from the low of September 2020 (post completion of the NBN) the increase is 75%.

This uplift is broadly based across segments, see chart opposite. Mining is up 101%, to be at \$49bn, a rise of \$25bn (centred on two gas projects proceeding). Infrastructure ex mining is up by 57%, to be at \$22bn; private non-residential building is 29% higher, rising to \$37.2bn; and public sector projects excluding transport are up 90%, to be currently valued at \$85bn.

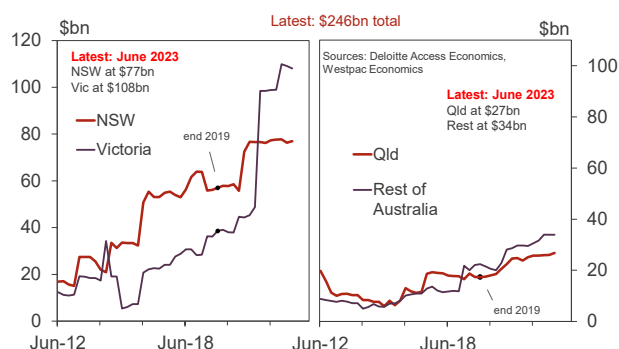
### Construction work up sharply

The so what of the jump in investment projects currently underway is a material lift in the value of construction work over the past couple of years (private and public combined) - with positive momentum likely to extend into the near-term.

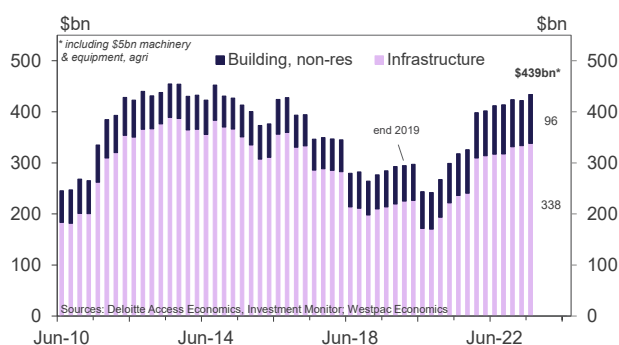
For the March quarter 2023, the value of construction work was 21% above that in March 2022. Over the two years from March 2021 to March 2023, the increase is 34%, including a 39% rise in infrastructure activity and a 24% lift for non-residential building work.

Andrew Hanlan, Senior Economist

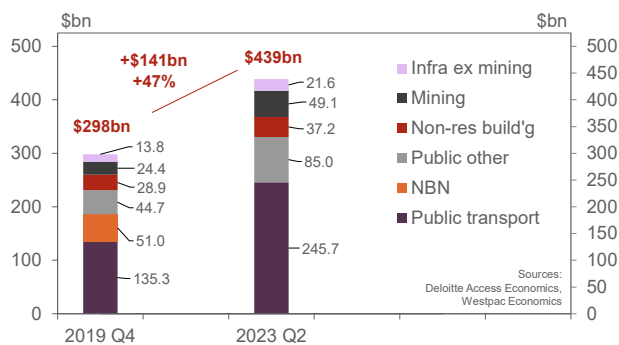
## Public transport: definite projects



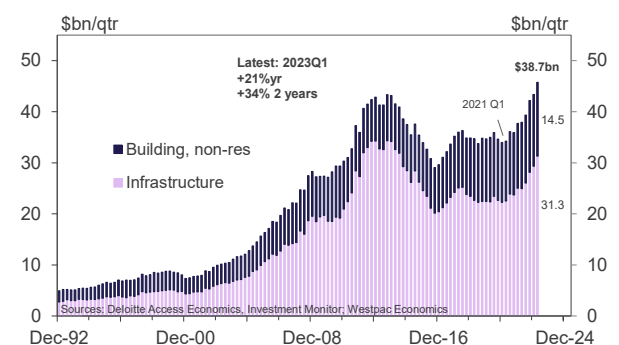
## Definite projects: by asset



## Investment pipeline: definite projects



## Construction: value of work done



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