



Media Release

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ANZ forecasts sharp decline in Australian major resources & infrastructure projects spending

Capital expenditure on major Australian mining, energy and infrastructure projects is set to drop more than 60% over the next three years, according to ANZ analysis published today.

The *Australia Major Project Update 2015* includes developments requiring at least AUD100mn of investment. The comprehensive report estimates that aggregate major projects spending in these sectors will fall to around AUD32bn in 2017 from AUD88bn last year.

Mining States are expected to be hit hardest as large-scale projects wind down and sharply lower commodity prices reduce the likelihood of new capital spending or project expansions. ANZ estimates that cumulative export earnings from iron ore, coal and LNG will be roughly AUD110bn lower by 2018 than projected a year ago.

ANZ sees public-backed infrastructure spending remaining subdued in the near term, before increasing in 2017 – with most of the work initially occurring in New South Wales. Despite the positive global investment climate for these projects, recent changes of government in Victoria and Queensland are likely to reduce, or at least delay, infrastructure spending in those States; there is also uncertainty around local privatisation programmes.

ANZ Chief Economist Warren Hogan commented: “While it is widely known that capital expenditure in the resources industry will fall sharply in coming years as major projects transition into production and also reflecting the fall in commodity prices, it is less well understood that the expected strengthening in public infrastructure investment will only provide a very modest offset.

“For this reason private non-mining business investment must strengthen to broaden the recovery in the non-mining parts of the economy beyond residential construction – the near term outlook, however, remains subdued.”

Key findings:

- New LNG capital expenditure (excluding operational spending) is forecast to decline to under AUD5bn in 2017 after hitting around AUD55bn in 2013
- Pipeline of potential mining sector projects has declined; committed capital expenditure remains unchanged but is below AUD5bn annually
- Potential spending on major public-backed infrastructure projects (roads, rail & NBN) will increase from less than AUD4bn in 2014 to AUD12bn in 2017
- Potential pipeline of hospital projects for 2015-17 revised AUD1bn higher to AUD7bn

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