



# PCI AUSTRALIAN

PERFORMANCE OF CONSTRUCTION INDEX®

Ai AUSTRALIAN INDUSTRY GROUP

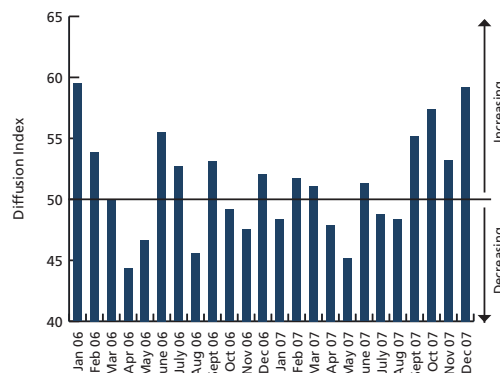


DECEMBER 2007

## CONSTRUCTION STRONGER WITH ENGINEERING ACTIVITY AT 17-MONTH HIGH

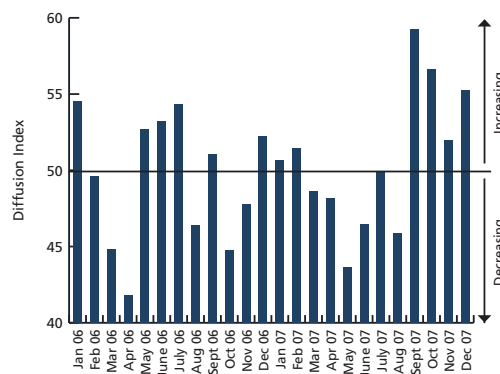
### KEY FINDINGS

- The national construction industry expanded for a fourth consecutive month in December 2007, with increased work on engineering projects underpinning a stronger level of growth.
- The seasonally adjusted Australian Industry Group/ Housing Industry Association Performance of Construction Index (Australian PCI®) registered 59.2 in December, (6.0 points higher than in November) to remain above the critical 50.0 points level separating expansion from contraction.
- Firms mainly linked the pick-up in activity in December to increases in new orders and efforts to meet year-end deadlines for existing contracts. Residential builders also attributed higher levels of incoming business to marketing initiatives and price discounting.
- For the industry as a whole, both activity and new orders posted solid gains in December, leading to stronger growth in supplier deliveries and employment.
- Strong demand pressures continued to generate a high level of increase in construction costs, although at a slightly lesser rate than the previous month.



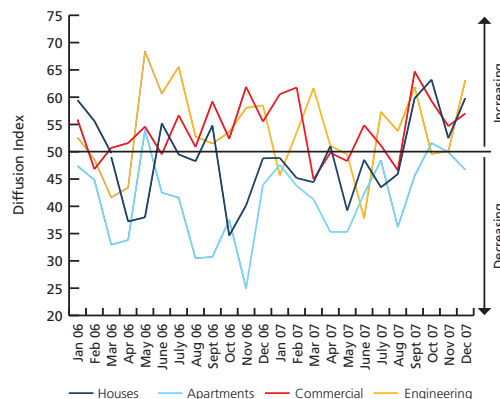
### CONSTRUCTION ACTIVITY

- In seasonally adjusted terms, the activity sub-index in December registered 55.2.
- This was 3.2 points above the index reading for November, signalling a stronger rate of increase in total construction activity during December.
- The higher growth outcome for December reflected a solid pick-up in engineering construction; continued strength in commercial activity and; an improvement in house building.
- It also marked the fourth consecutive month of growth in the total value of activity from all construction projects (houses, apartments, commercial and engineering), with activity 11.5 points above the most recent low point of May 2007.



### ACTIVITY BY SECTOR

- Engineering construction was the best performing sector in December, with the activity sub-index increasing by 13.0 points (seasonally adjusted) to a 17-month high of 63.1, as sizeable new projects continued to come on stream.
- House building activity increased by 7.3 points in December to 59.8, although this followed a fall of 10.7 points in the previous month. As a result, activity growth is now on par with the level of three months ago.
- Commercial construction also posted a further lift in activity, (the sixth in the past seven months) with the sub-index rising by 2.3 points to 57.0.
- In contrast, apartment building activity declined with the sub-index falling by 3.2 points to 46.7.

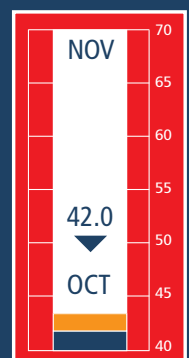
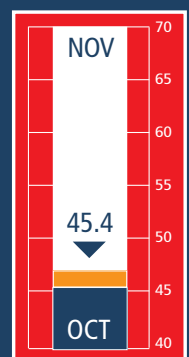
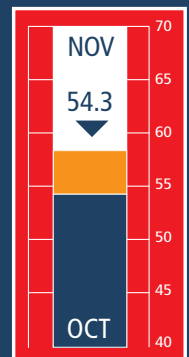
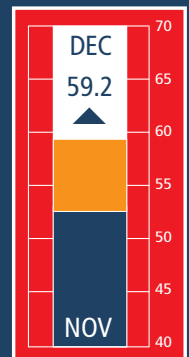


AUSTRALIAN PCI®

UK CONSTRUCTION INDEX\*

GERMANY CONSTRUCTION INDEX\*

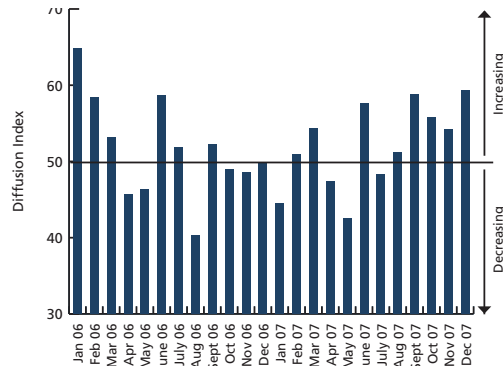
IRELAND CONSTRUCTION INDEX\*





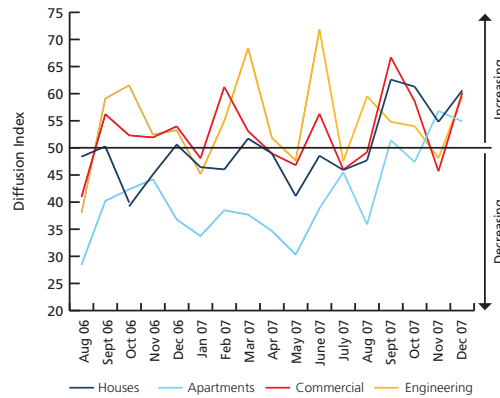
## NEW ORDERS

- New orders (seasonally adjusted) growth strengthened in December, driven primarily by marked increases in new work in the engineering and commercial construction sectors.
- The new orders index for December registered 59.3, a rise of 5.1 points on the reading of the previous month.
- It was the highest rate of increase since January 2006 when the sub-index stood at 64.9.
- It also signalled the likelihood of a further lift in total construction activity during coming months.



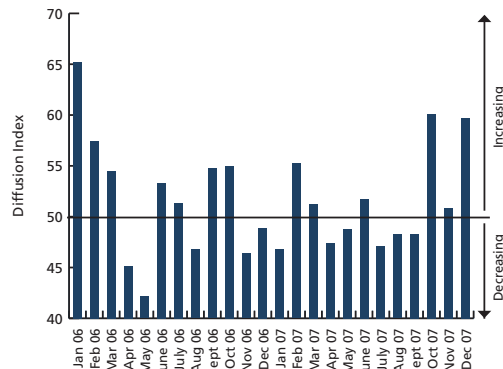
## NEW ORDERS BY SECTOR

- New orders posted a higher rate of growth in December across three of the four sectors monitored.
- The commercial construction sector registered the most marked rate of increase, with the index rising by 14.5 points to 60.2, after a fall of 12.9 points in November.
- For engineering construction, the index stood at 59.5. This was 11.4 points above November's reading, and reflected the continued strength of the investment pipeline in heavy industrial and infrastructure projects.
- New orders in house building also picked-up, with the index increasing by 5.8 points to 60.6.
- The apartment sector posted a moderation in new orders growth in December (the index down by 1.9 points to 54.9). However, it was the second consecutive month of growth, pointing to the likelihood of higher activity in the near term.



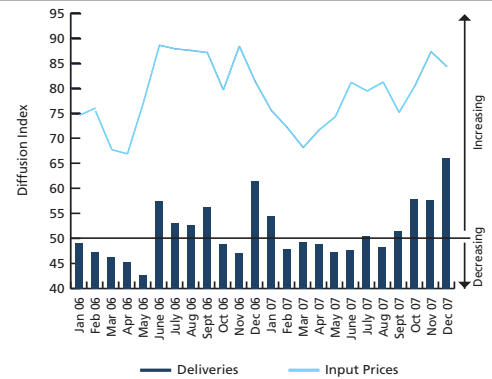
## EMPLOYMENT

- The increase in the uptake of new business led to stronger workforce expansion in December.
- The employment sub-index in December increased by 8.8 points to 59.7, although this followed a fall of similar magnitude in the previous month.
- It marked the third consecutive month of employment growth, with firms linking the upturn to greater activity requirements due to growth of new business and impending project deadlines.
- Increases in employment were dominated by firms engaged in engineering and commercial construction projects.



## DELIVERIES AND INPUT COSTS

- Supplier deliveries increased during December in response to the rise in new business, and in some instances, as a safeguard against expected future rises in input costs.
- The supplier delivery index stood at 66.0 in December (up by 8.3 points on the previous month), to be at a 23-month high level.
- Input costs continued to register strong growth, although the rate of increase moderated in December.
- The input cost sub-index declined from a 12-month high of 87.4 in November to 84.4 in December, a fall of 3.0 points.



## NATIONAL INDEXES

	Dec 07	Dec 06	Nov 07	Oct 07	Sep 07	Aug 07	Jul 07	Jun 07	May 07	Apr 07	Mar 07	Feb 07	Jan 07
<b>AUSTRALIAN PCI®</b>	59.2	52.1	53.2	57.4	55.2	48.4	48.8	51.3	45.1	47.9	51.1	51.7	48.4
<b>ACTIVITY</b>	55.2	52.2	52.0	56.6	59.2	45.9	49.9	46.4	43.7	48.2	48.6	51.5	50.6
- HOUSES	59.8	48.8	52.5	63.2	59.8	45.9	43.5	48.5	39.2	51.0	44.4	45.2	48.9
- APARTMENTS	46.7	43.9	49.9	51.6	45.6	36.2	48.4	42.3	35.3	35.3	41.3	43.7	47.6
- COMMERCIAL	57.0	55.5	54.7	59.3	64.7	46.6	51.1	54.9	48.3	49.8	45.0	61.8	60.5
- ENGINEERING	63.1	58.5	50.1	49.6	61.8	53.8	57.3	37.8	49.5	51.1	61.7	53.5	45.7
<b>NEW ORDERS</b>	59.3	49.9	54.2	55.7	58.8	51.1	48.3	57.6	42.5	47.4	54.3	50.9	44.4
<b>EMPLOYMENT</b>	59.7	48.9	50.9	60.1	48.3	48.2	47.1	51.7	48.8	47.4	51.3	55.2	46.8
<b>DELIVERIES</b>	66.0	61.4	57.7	57.9	51.5	48.2	50.5	47.7	47.3	49.0	49.2	47.9	54.4
<b>INPUT PRICES</b>	84.4	81.5	87.4	80.7	75.3	81.4	79.6	81.3	74.4	71.8	68.3	72.3	75.7

Results are based on a sample of 120 companies.

\* Seasonal adjusted results are based on factors derived from NTC Economics construction indexes, adjusted for Australian conditions.

## WHAT IS THE AUSTRALIAN PCI®?

The Australian Industry Group – Housing Industry Association **Australian Performance of Construction Index (Australian PCI®)** is a seasonally adjusted national composite index based on the diffusion indexes for activity, orders/new business, deliveries and employment with varying weights. An Australian PCI® reading above 50 points indicates construction activity is generally expanding; below 50, that it is declining. The distance from 50 is indicative of the strength of the expansion or decline.

More information can be obtained from the Ai Group web site [www.aigroup.asn.au](http://www.aigroup.asn.au)

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