



PCI AUSTRALIAN

PERFORMANCE OF CONSTRUCTION INDEX®

Ai AUSTRALIAN INDUSTRY GROUP

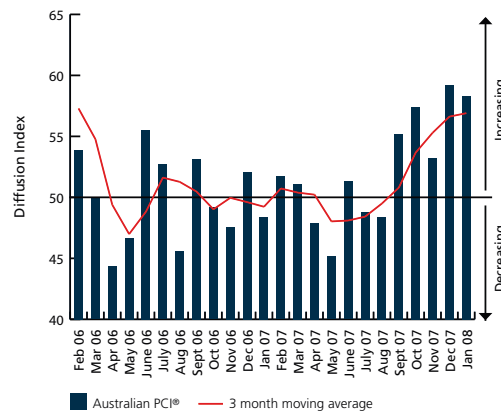


JANUARY 2008

CONSTRUCTION GROWTH CONTINUES, BUT EASES IN MOST SECTORS

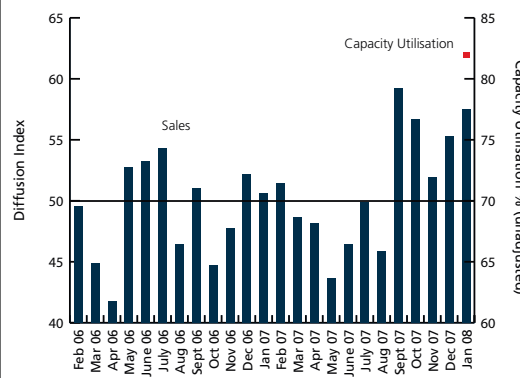
KEY FINDINGS

- The national construction industry expanded for a fifth consecutive month in January 2008, although at a slightly slower rate than in December 2007, due to lower levels of growth in house building, engineering and commercial construction.
- At 58.3, down by 0.9 points on the previous month, the seasonally adjusted Australian Industry Group/ Housing Industry Association Performance of Construction Index (**Australian PCI®**) remained above the critical 50.0 points level separating expansion from contraction.
- Despite a strong upturn in apartment building activity in January, firms engaged in other sectors of the industry reported an easing in market demand and fewer opportunities to tender. Residential builders also cited concerns about higher interest rates and lower consumer confidence, as key factors constraining growth.
- For the industry as a whole, activity registered higher growth in January (on the back of stronger apartment building), leading to further gains in employment and deliveries.
- Strong demand pressures continued to generate a high rate of increase in construction costs, although growth moderated for the second consecutive month.



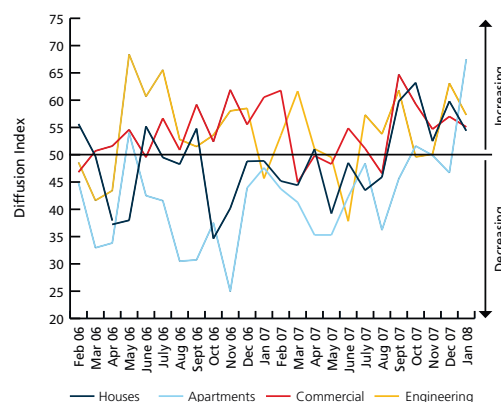
CONSTRUCTION ACTIVITY AND CAPACITY

- In seasonally adjusted terms, the activity sub-index in January registered 57.5.
- This was 2.3 points above the index reading for December, indicating a higher rate of increase in total construction activity during January.
- The higher growth outcome for January was driven by a strong upturn in apartment building (following declines in the previous two months), which offset a moderation in activity growth in the three other major sectors.
- It also marked the fifth consecutive month of growth in the value of total construction activity, the sub-index 13.8 points above the most recent low point of May 2007.
- Firms reported an average capacity utilisation rate of 82.0%.

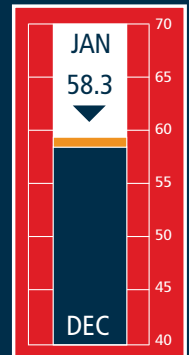


ACTIVITY BY SECTOR

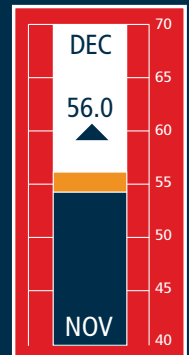
- Apartment building was the best performing sector in January. However, the increase in the activity sub-index of 20.8 points (seasonally adjusted) to 67.5 was off a low base, and represented only the third month of growth since the start of Australian PCI® readings in September 2005.
- House building activity continued to expand, although growth in January was down on the level of the previous month, the sub-index falling by 5.4 points to 54.4.
- The engineering construction sub-index registered 57.3, a pull-back of 5.8 points on the previous month, to signal a moderation in growth.
- Commercial construction growth was also less marked, the sub-index declining by 1.9 points in January to 55.1.



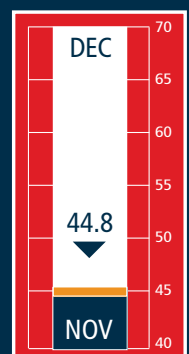
AUSTRALIAN PCI®



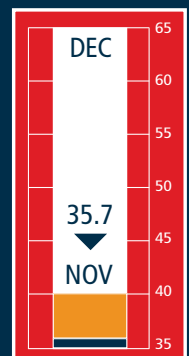
UK CONSTRUCTION INDEX*



GERMANY CONSTRUCTION INDEX*



IRELAND CONSTRUCTION INDEX*





NEW ORDERS

- New orders growth (seasonally adjusted) weakened in January, mainly reflecting softer demand in the house building sector and a decrease in new commercial construction work.
- The new orders index for January registered 52.8, a decline of 6.5 points on the reading of the previous month.
- Despite expanding, it was the lowest rate of increase in new orders over the past five months.
- It also signalled the likelihood of a further moderation in growth of total construction activity during coming months.

NEW ORDERS BY SECTOR

- The commercial construction sector registered the most subdued level of new orders, the index declining by 12.6 points to 47.6, in line with reports by firms of a lower acquisition of new contracts.
- For engineering construction, the index stood at 58.3. This was only 1.2 points below the previous month's reading, and indicative of continued strength in the investment pipeline.
- The new orders index for house building declined by a marked 8.8 points to 51.8, although it was the fifth consecutive month that firms, on aggregate, have lifted their uptake of new work.
- The apartment sector posted a moderation in new orders growth in January (the index down by 1.5 points to 53.4). Nevertheless, it was the third straight month of growth, pointing to the likelihood of further expansion of activity in the near term.

EMPLOYMENT AND WAGES

- The continued growth in activity led to stronger workforce expansion in January.
- The employment sub-index in January increased by 1.2 points to 60.9.
- This was the highest rate of increase since January 2006, and the fourth consecutive month of employment growth.
- Increases in employment were dominated by firms expanding on-site employee numbers and the use of sub-contractors on engineering construction projects.
- Firms signalled solid growth in wages during January, with an index of 67.9 recorded.

DELIVERIES INPUT COSTS AND SELLING PRICES

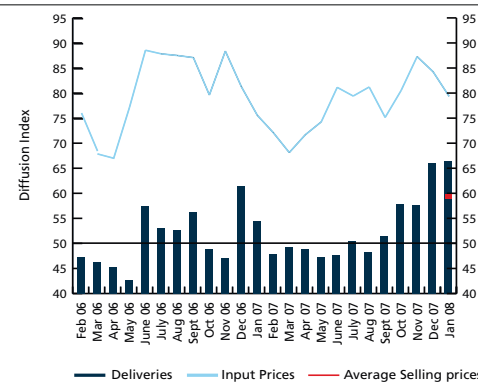
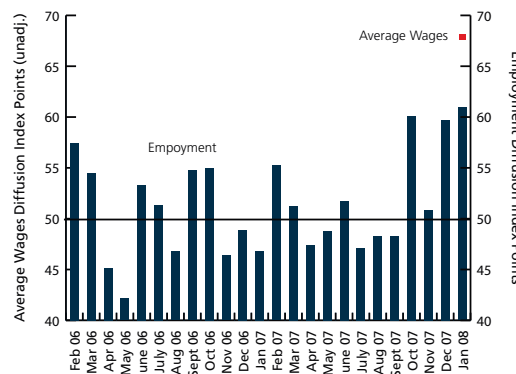
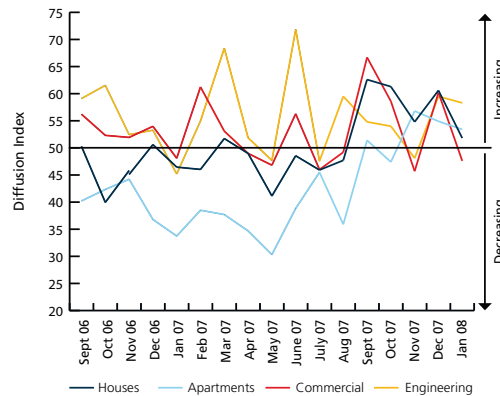
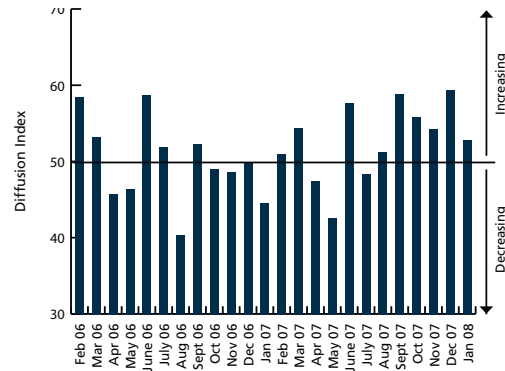
- Supplier deliveries continued to increase in January to meet expanding activity requirements, and as a safeguard against expected future rises in input costs.
- The supplier delivery index stood at 66.4 in January (up by 0.4 points on the previous month), to be at a 24-month high level.
- Input costs registered further strong growth, although the rate of increase moderated in January, declining by 4.9 points to 79.5.
- The price of construction outputs rose at a lesser rate than input costs, the index registering 59.4, signalling strong pressure on profit margins.

NATIONAL INDEXES

| | Jan 08 | Jan 07 | Dec 07 | Nov 07 | Oct 07 | Sep 07 | Aug 07 | Jul 07 | Jun 07 | May 07 | Apr 07 | Mar 07 |
|------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| AUSTRALIAN PCI® | 58.3 | 48.4 | 59.2 | 53.2 | 57.4 | 55.2 | 48.4 | 48.8 | 51.3 | 45.1 | 47.9 | 51.1 |
| ACTIVITY | 57.5 | 50.6 | 55.2 | 52.0 | 56.6 | 59.2 | 45.9 | 49.9 | 46.4 | 43.7 | 48.2 | 48.6 |
| - HOUSES | 54.4 | 48.9 | 59.8 | 52.5 | 63.2 | 59.8 | 45.9 | 43.5 | 48.5 | 39.2 | 51.0 | 44.4 |
| - APARTMENTS | 67.5 | 47.6 | 46.7 | 49.9 | 51.6 | 45.6 | 36.2 | 48.4 | 42.3 | 35.3 | 35.3 | 41.3 |
| - COMMERCIAL | 55.1 | 60.5 | 57.0 | 54.7 | 59.3 | 64.7 | 46.6 | 51.1 | 54.9 | 48.3 | 49.8 | 45.0 |
| - ENGINEERING | 57.3 | 45.7 | 63.1 | 50.1 | 49.6 | 61.8 | 53.8 | 57.3 | 37.8 | 49.5 | 51.1 | 61.7 |
| CAPACITY | 82.0 | na | na | na | na | na | na | na | na | na | na | na |
| NEW ORDERS | 52.8 | 44.4 | 59.3 | 54.2 | 55.7 | 58.8 | 51.1 | 48.3 | 57.6 | 42.5 | 47.4 | 54.3 |
| WAGES | 67.9 | na | na | na | na | na | na | na | na | na | na | na |
| EMPLOYMENT | 60.9 | 46.8 | 59.7 | 50.9 | 60.1 | 48.3 | 48.2 | 47.1 | 51.7 | 48.8 | 47.4 | 51.3 |
| DELIVERIES | 66.4 | 54.4 | 66.0 | 57.7 | 57.9 | 51.5 | 48.2 | 50.5 | 47.7 | 47.3 | 49.0 | 49.2 |
| INPUT PRICES | 79.5 | 75.7 | 84.4 | 87.4 | 80.7 | 75.3 | 81.4 | 79.6 | 81.3 | 74.4 | 71.8 | 68.3 |
| SELLING PRICES | 59.4 | na | na | na | na | na | na | na | na | na | na | na |

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. The capacity utilisation, wages and selling prices indexes are reported in unadjusted terms.



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

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