



PERFORMANCE OF CONSTRUCTION INDEX®

Ai AUSTRALIAN INDUSTRY GROUP

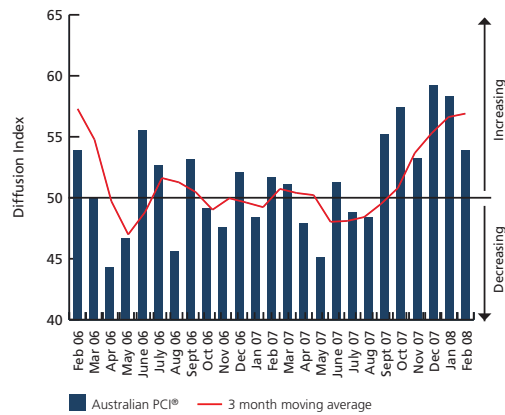


FEBRUARY 2008

## CONSTRUCTION GROWTH MODERATES

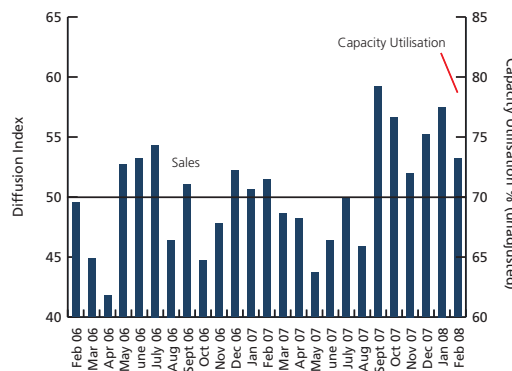
### KEY FINDINGS

- The national construction industry continued to expand in February 2008, although the rate of growth moderated for the second consecutive month, due largely to renewed weakness in house and apartment building.
- The seasonally adjusted Australian Industry Group/ Housing Industry Association Performance of Construction Index (Australian PCI®) registered 53.9 in February (4.4 points lower than in January), to remain above the critical 50.0 points level separating expansion from contraction.
- Both engineering and commercial construction maintained growth in February, with the commercial sector posting its highest rate of increase in the past five months. This contrasted with a fall in house building activity (the first since August 2007), and a marked reduction in the level of apartment work, which more than offset the upturn of the previous month.
- Firms reporting weaker activity in February (primarily house and apartment builders), linked this to higher interest rates, and lower levels of incoming business.
- For the industry as a whole, growth in activity and new orders moderated in February, resulting in a slower rate of increase in both employment and deliveries.



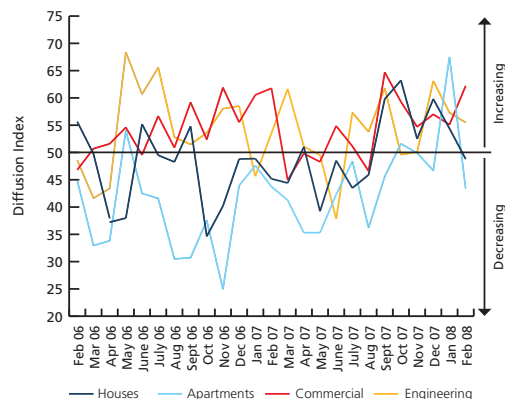
### CONSTRUCTION ACTIVITY AND CAPACITY

- In seasonally adjusted terms, the activity sub-index in February registered 53.2.
- This was 4.3 points below the index reading for January, indicating a slower rate of increase in total construction activity during the month.
- This easing reflected slightly slower growth in engineering construction, and declines in house and apartment building, which offset the strengthening conditions in the commercial construction sector.
- Nevertheless, February marked the sixth consecutive month of growth in the value of total construction activity, the sub-index 7.3 points higher than in August 2007.
- Firms reported an average capacity utilisation rate of 78.7%, down from 82.0% in January 2008.

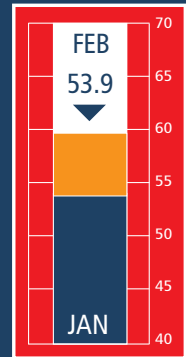


### ACTIVITY BY SECTOR

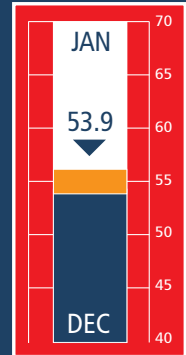
- Commercial construction was the best performing sector in February, the sub-index increasing by 7.1 points (seasonally adjusted) to 62.2, its highest level since September 2007.
- While engineering construction continued to expand, the rate of growth moderated for the second straight month, the sub-index registering 55.5, down 1.8 points from 57.3 in January.
- House building recorded its first decline in six months, with the sub-index falling by 5.6 points to 48.8, consistent with a reduction in new orders.
- The volatility of the apartment building sector was evident in the sector's sub-index decline in February of 24.1 points to 43.4. This follows an increase of almost the same magnitude in January.



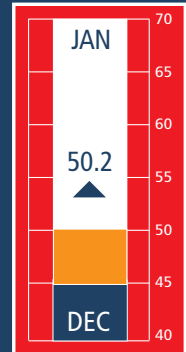
AUSTRALIAN PCI®



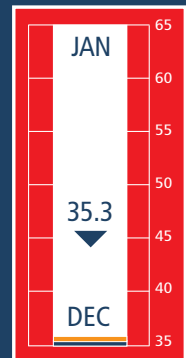
UK CONSTRUCTION INDEX\*



GERMANY CONSTRUCTION INDEX\*



IRELAND CONSTRUCTION INDEX\*





## NEW ORDERS

- New orders (seasonally adjusted) growth was sustained in February, due mainly to a strong lift in incoming commercial construction work.
- The new orders index for February registered 52.3, a decline of 0.5 points on the reading of the previous month.
- Despite the further rise in new orders, it was the slowest rate of increase in the past six months.
- In addition, it points to a further easing in activity in coming months, particularly given the decline in new orders in the house and apartment building sectors.

## NEW ORDERS BY SECTOR

- The apartment building sector registered the most subdued level of new orders, the index declining by 11.3 points to 42.1, following growth in the previous three months.
- The new orders index for house building declined by 3.9 points to 47.9, the first reduction since August 2007, and in line with reports of weaker demand.
- In contrast, new orders in the commercial construction sector expanded strongly, the index registering 61.4. This was 13.8 points above the reading of the previous month, and indicative of continued strength in the investment pipeline.
- New orders in engineering construction also maintained growth in February, although the rate of increase moderated with the index declining by 2.7 points to 55.6.

## EMPLOYMENT AND WAGES

- The continued growth in activity led to a further rise in employment in February, although the rate of growth moderated from the solid base of the previous month.
- The employment sub-index in February declined by 6.0 points to 54.9.
- Nevertheless, it marked the fifth consecutive month of employment growth, with workforce expansion most prevalent within the engineering and commercial construction sectors.
- Firms signalled solid growth in wages during February, with an index of 69.8 recorded, a rise of 1.9 points on the previous month.

## DELIVERIES INPUT COSTS AND SELLING PRICES

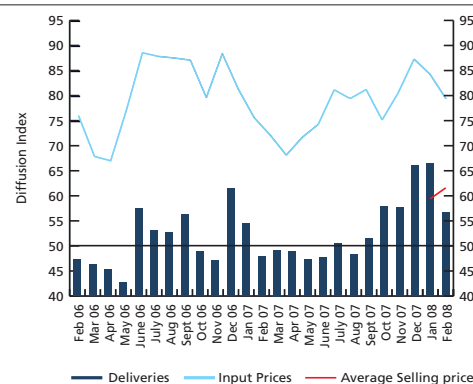
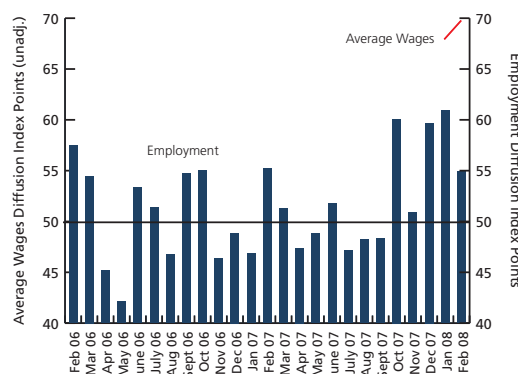
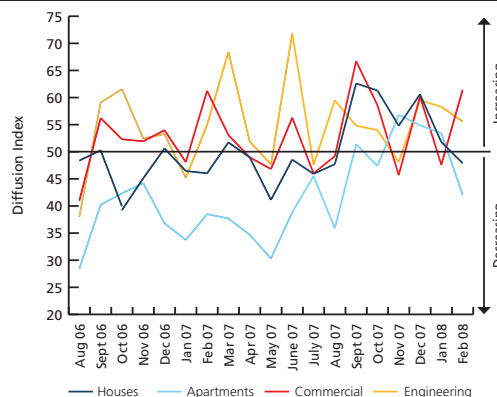
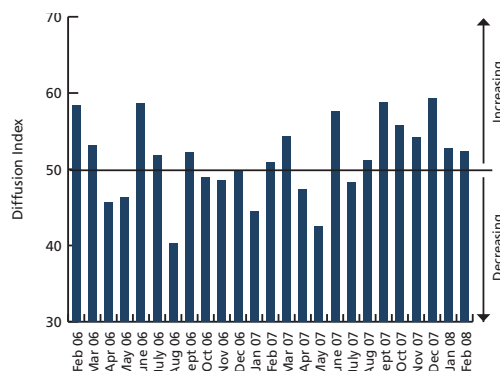
- Declines in new orders in two of the four sectors monitored, contributed to a slower rate of growth in deliveries during February.
- The supplier delivery index stood at 56.7 in February, down by 9.7 points on the previous month.
- The rate of growth in input costs moderated in February but nevertheless remained strong with the index at 75.4, a fall of 4.1 points on the previous month.
- The output cost index lifted by 2.2 points to 61.6, but remained below the level of input cost growth, signalling continued strong pressure on margins.

## NATIONAL INDEXES

	Feb 08	Feb 07	Jan 08	Dec 07	Nov 07	Oct 07	Sep 07	Aug 07	Jul 07	Jun 07	May 07	Apr 07
<b>AUSTRALIAN PCI®</b>	53.9	51.7	58.3	59.2	53.2	57.4	55.2	48.4	48.8	51.3	45.1	47.9
<b>ACTIVITY</b>	53.2	51.5	57.5	55.2	52.0	56.6	59.2	45.9	49.9	46.4	43.7	48.2
- HOUSES	48.8	45.2	54.4	59.8	52.5	63.2	59.8	45.9	43.5	48.5	39.2	51.0
- APARTMENTS	43.4	43.7	67.5	46.7	49.9	51.6	45.6	36.2	48.4	42.3	35.3	35.3
- COMMERCIAL	62.2	61.8	55.1	57.0	54.7	59.3	64.7	46.6	51.1	54.9	48.3	49.8
- ENGINEERING	55.5	53.5	57.3	63.1	50.1	49.6	61.8	53.8	57.3	37.8	49.5	51.1
<b>CAPACITY</b>	78.7	na	82.0	na	na	na	na	na	na	na	na	na
<b>NEW ORDERS</b>	52.3	50.9	52.8	59.3	54.2	55.7	58.8	51.1	48.3	57.6	42.5	47.4
<b>WAGES</b>	69.8	na	67.9	na	na	na	na	na	na	na	na	na
<b>EMPLOYMENT</b>	54.9	55.2	60.9	59.7	50.9	60.1	48.3	48.2	47.1	51.7	48.8	47.4
<b>DELIVERIES</b>	56.7	47.9	66.4	66.0	57.7	57.9	51.5	48.2	50.5	47.7	47.3	49.0
<b>INPUT PRICES</b>	75.4	72.3	79.5	84.4	87.4	80.7	75.3	81.4	79.6	81.3	74.4	71.8
<b>SELLING PRICES</b>	61.6	na	59.4	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](http://www.aigroup.asn.au)

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