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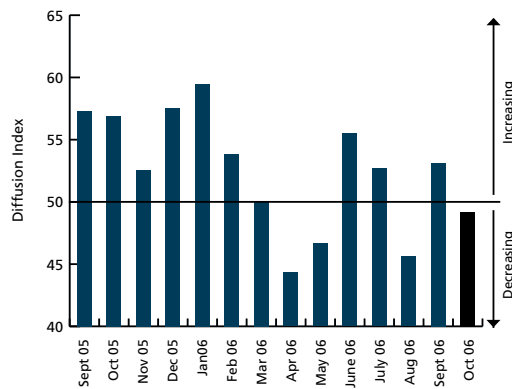
PERFORMANCE OF CONSTRUCTION INDEX™

OCTOBER 2006

HIGHER INTEREST RATES UNDERMINE CONSTRUCTION

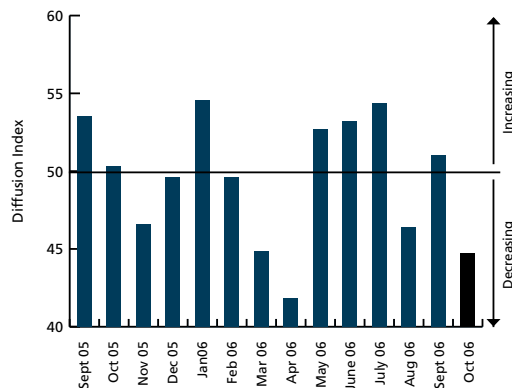
KEY FINDINGS

- National construction activity declined in October, following a modest improvement in the previous month.
- The seasonally adjusted Australian Industry Group/ Housing Industry Association Performance of Construction Index (Australian PCI™) fell by 3.9 points in October to 49.2 (below the 50.0 points level separating expansion from contraction).
- The decline in the index was underpinned by a marked contraction in house building activity.
- Firms linked the fall-off in construction business to past and anticipated interest rate rises, citing the flow-on effects of reduced demand and weaker investor activity.
- Activity, orders and deliveries all declined from positions of growth in the previous month, while employment trended marginally above the rate of increase in September.
- Engineering construction was the best performing sector in October with firms reporting a further boost from mining sector projects.



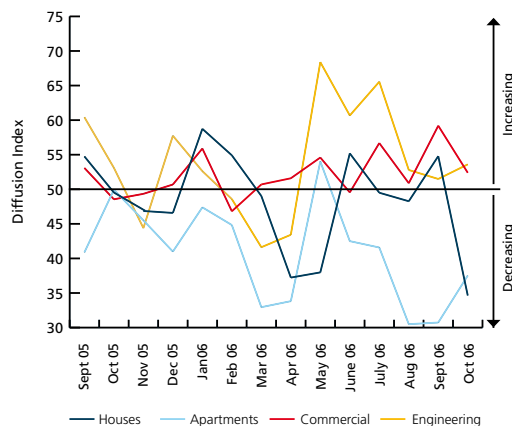
CONSTRUCTION ACTIVITY

- In seasonally adjusted terms, the activity sub-index fell 6.3 points in October to 44.7, to be at its lowest level in the past seven months.
- The deterioration follows a short lived upturn in September, and indicates that recent interest rate rises are now impacting more fully on activity.
- It was the second decline in the total value of activity from all construction projects (houses, apartments, commercial and engineering) in the past three months.
- The weaker reading for October reflected a contraction in house building (following a pick-up in September), combined with slower growth in the commercial construction sector.

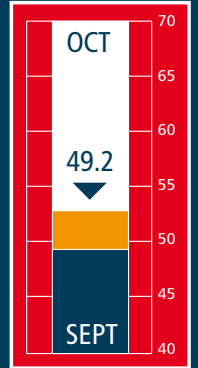


ACTIVITY BY SECTOR

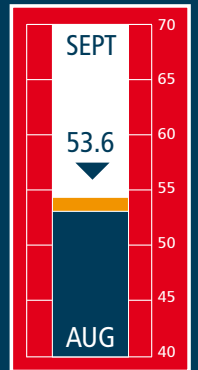
- House building activity (seasonally adjusted) declined by 20.2 points in October to 34.6. This was the sharpest fall in the sub-index since the start of the series in September 2005, and the lowest reading over this period.
- Commercial construction continued to expand, although the rate of growth moderated (albeit from a high base) with the sub-index falling by 6.8 points to 52.4.
- Engineering construction recorded the strongest growth in activity with the sub-index increasing by 2.1 points in October to 53.6, maintaining the growth trend of the past six months.
- While apartment building activity continued to contract, the rate of decline moderated, the sub-index rising 6.8 points, the first rise recorded since May.



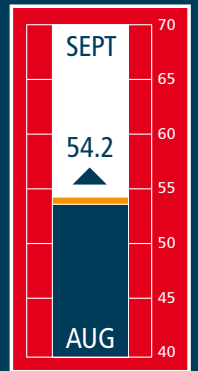
AUSTRALIAN PCI™



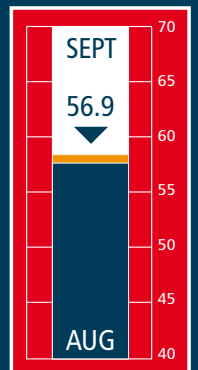
UK CONSTRUCTION INDEX*



GERMANY CONSTRUCTION INDEX*

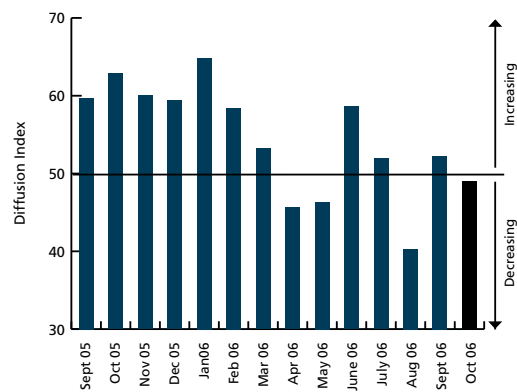


IRELAND CONSTRUCTION INDEX*



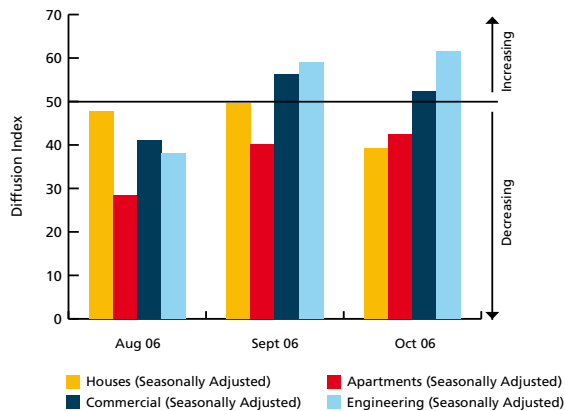
NEW ORDERS

- New orders (seasonally adjusted) contracted in October, signalling further weakness in total activity over the coming months.
- A large number of firms, particularly in the house building sector, reported weaker order books due to a decline in customer enquiries and reduced buyer confidence.
- The new orders index fell by 3.3 points in October to 48.9, the second decline recorded in the past three months.
- Moreover, the index reading for October was down 9.7 points on June 2006, and 16.0 points lower than the peak level registered at the start of the year.



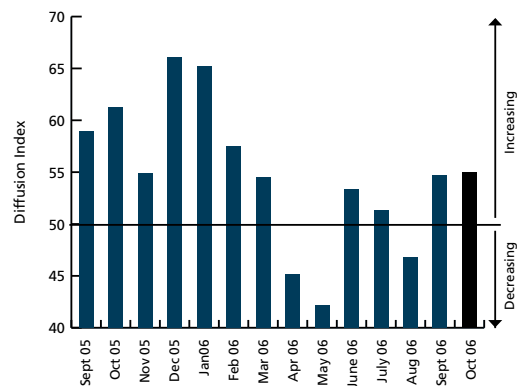
NEW ORDERS BY SECTOR

- New orders in the house building sector registered a marked decline of 10.4 points to 39.2 in October, the weakest reading of all market segments.
- For the commercial construction sector, growth was maintained, although at a lesser rate with the index falling by 3.9 points in October to 52.3.
- Consistent with a solid pipeline of work to be done, new orders in engineering construction were the most robust of all sectors, the index rising by 2.4 points to 61.5.
- Although the apartment sector continued to exhibit weakness, the index rose by 2.1 points to 42.3.



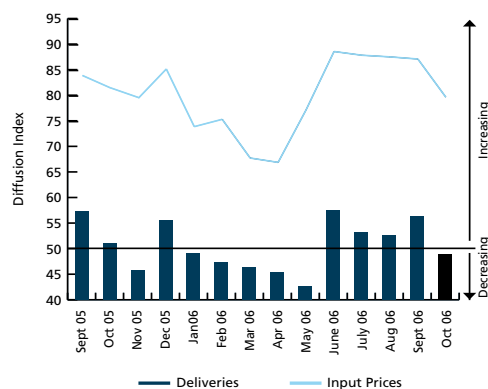
EMPLOYMENT

- Employment (seasonally adjusted) edged marginally higher in October, with the sub-index rising by just 0.3 points to 55.0.
- Falls in employment in the house building sector were mainly counter-balanced by higher numbers employed in engineering construction, particularly projects related to mining activity.
- While the marginal rise in employment for October saw the sub-index at its highest level in eight months, the current reading remains 11.1 points below the peak of December 2005.



DELIVERIES AND INPUT COSTS

- Reduced work levels in aggregate are reflected in a decline in supplier deliveries in October.
- The supplier delivery sub-index fell by 7.4 points to 48.9, the weakest level since May 2006.
- Construction costs rose at a high rate, although growth moderated for the fourth consecutive quarter. The sub-index declined to 79.8 from 87.2, a fall of 7.4 points.
- In total, 57% of firms (down from 76% in September) reported increases in the month, while as in the previous month, 3% reported decreases.



NATIONAL INDEXES

	Oct 06	Oct 05	Sept 06	Aug 06	July 06	Jun 06	May 06	Apr 06	Mar 06	Feb 06	Jan 06	Dec 05
AUSTRALIAN PCI™	49.2	56.9	53.1	45.6	52.7	55.5	46.7	44.3	50.0	53.9	59.5	57.5
ACTIVITY	44.7	50.3	51.0	46.4	54.3	53.2	52.7	41.8	44.9	49.6	54.6	49.6
– HOUSES	34.6	48.9	54.8	48.3	49.5	55.2	38.0	37.2	49.0	54.9	58.7	46.6
– APARTMENTS	37.5	49.9	30.7	30.5	41.6	42.5	54.0	33.8	32.9	44.8	47.4	41.0
– COMMERCIAL	52.4	48.6	59.2	50.9	56.7	49.6	54.6	51.6	50.7	46.8	55.9	50.7
– ENGINEERING	53.6	53.1	51.5	52.8	65.6	60.7	68.4	43.4	41.6	48.6	52.6	57.7
NEW ORDERS	48.9	62.9	52.2	40.3	51.9	58.6	46.3	45.7	53.2	58.4	64.9	59.3
EMPLOYMENT	55.0	61.3	54.7	46.8	51.4	53.3	42.2	45.2	54.5	57.5	65.2	66.1
DELIVERIES	48.9	51.1	56.3	52.6	53.2	57.4	42.7	45.3	46.3	47.3	49.1	55.5
INPUT PRICES	79.8	80.9	87.2	87.7	88.0	88.7	77.3	67.0	67.9	75.5	74.0	85.3

Results are based on a sample of 100 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

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