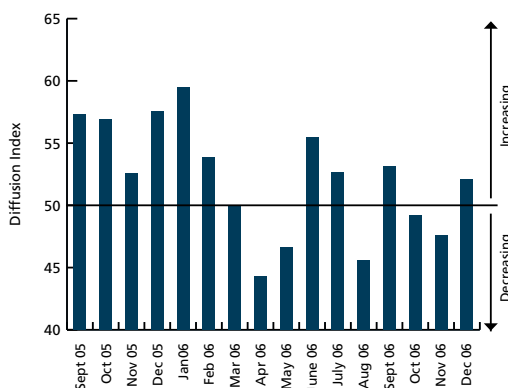




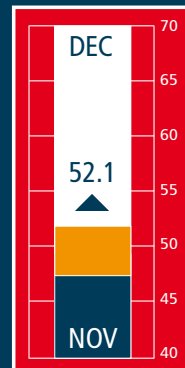
CONSTRUCTION LIFTS TO MEET YEAR-END DEADLINES, BUT OUTLOOK SUBDUED

KEY FINDINGS

- National construction activity lifted moderately in December 2006, following two consecutive months of declines.
- The seasonally adjusted Australian Industry Group/ Housing Industry Association Performance of Construction Index (**Australian PCI™**) increased by 4.5 points in December to 52.1 (above the 50.0 points level separating expansion from contraction).
- Firms mainly linked this improvement to a step-up in activity to meet project deadlines at the end of 2006, as distinct from any significant gains in new business.
- Growth in construction activity was still seen by many as being impeded by the impact of higher interest rates. This was reflected in a continued contraction in new orders. Firms in the house building sector also noted the negative influences on activity of land supply constraints and the high cost of land.
- Both activity and deliveries increased, after posting falls in the previous two months, with the improvement leading to an easing in the rate of decline in employment.
- Engineering construction was the best performing sector, with firms reporting continued solid levels of work from contracts secured in the resources sector.

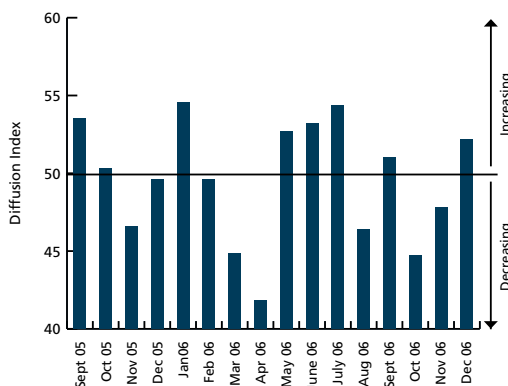


AUSTRALIAN PCI™

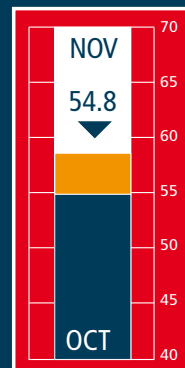


CONSTRUCTION ACTIVITY

- In seasonally adjusted terms, the activity sub-index increased by 4.4 points in December to 52.2, the highest level since July 2006.
- The upturn reflected continued growth in work generated from engineering and commercial construction, combined with an easing in the rate of decline in the house building and apartment sectors.
- The upturn was largely driven by the need to meet end of year project deadlines, although the pipeline for future activity is thinning due to weak new orders.
- The rise during December in the total value of activity from all construction projects (houses, apartments, commercial and engineering) was the first in the past three months.
- Despite the improvement, the rate of growth in December remains below levels recorded during the three months to July 2006.

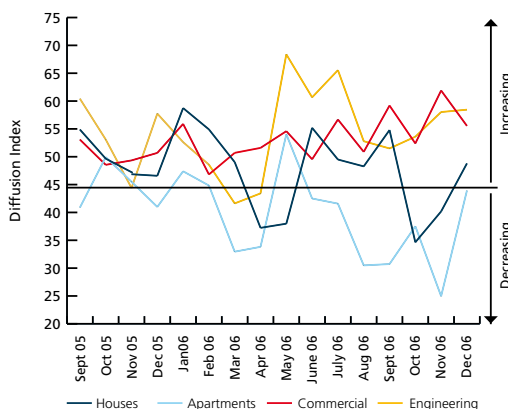


UK CONSTRUCTION INDEX*

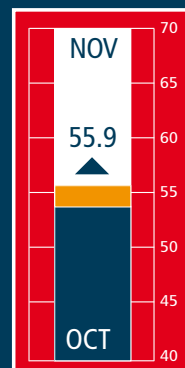


ACTIVITY BY SECTOR

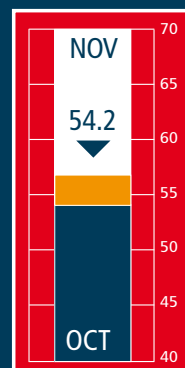
- House building activity (seasonally adjusted) continued to contract in December, although the rate of decline moderated for the second consecutive month with the index rising by 8.6 points to 48.8.
- Activity in the apartment building sector also remained in negative territory. However, the sub-index lifted strongly, rising by 18.9 points from a low base in November to be at its highest level since May 2006.
- Engineering construction continued to trend higher, although to a slight extent, the sub-index rising by 0.5 points in December to 58.5.
- Following a strong upturn in November, expansion in commercial construction moderated, the index falling 6.4 points to 55.5.



GERMANY CONSTRUCTION INDEX*



IRELAND CONSTRUCTION INDEX*



NEW ORDERS

- New orders (seasonally adjusted) continued to contract in December, although the rate of decline was less marked than the previous two months.
- The new orders index registered 49.9 in December, up by 1.3 points on the reading for November.
- Nevertheless, it was the fourth contraction in new orders in the past five months, with the index reading 8.7 points lower than in June 2006.
- The weakness in new orders points to the likelihood of subdued activity in the early part of 2007.

NEW ORDERS BY SECTOR

- Commercial construction recorded the highest level of new orders, with the index rising by 2.1 points to 54.0, consistent with reports by firms of increased invitations to tender.
- For engineering construction, new orders continued to expand with the index registering 53.3. However, the rate of increase was subdued at 0.8% (following a fall of 9.1 points in November), suggesting an easing in the growth of new work in the pipeline.
- In the house building sector, new orders increased by 5.5 points (albeit from a low base) to 50.6, an outcome that possibly reflects the lagged flow-on effect of rising house building approvals in the September quarter.
- The only sectoral decline in new orders occurred in apartment building, the index falling by 7.4 points to 36.8, following an easing in the rate of decline of incoming business during the previous three months.

EMPLOYMENT

- Employment (seasonally adjusted) fell for a second straight month in December. However, in line with the improvement in overall activity, the rate of decline was less marked than in November.
- The employment sub-index in December registered 48.9, up 2.5 points on the November reading.
- Engineering construction provided the main boost to employment, particularly firms with a high concentration of work in resource related projects. In contrast, employment falls remained more prevalent among home builders.
- While the decline in employment eased, the current employment reading is 17.2 points below the peak level of 66.1 recorded in December 2005.

DELIVERIES AND INPUT COSTS

- The pick-up in work levels, in aggregate, resulted in an increase in supplier deliveries in December, the first rise registered in the past three months.
- The increase of 14.3 points in the supplier delivery sub-index to 61.4 saw deliveries at their highest level since the start of the index in September 2005.
- The rate of growth in input costs eased in December, the sub-index moderating from 88.5 to 81.5, a fall of 7.0 points.
- Despite this, cost pressures remain robust, with the current index reading slightly above the average of the past 12 months (80.2).

NATIONAL INDEXES

	Dec 06	Dec 05	Nov 06	Oct 06	Sept 06	Aug 06	July 06	Jun 06	May 06	Apr 06	Mar 06	Feb 06	Jan 06
AUSTRALIAN PCI™	52.1	57.5	47.6	49.2	53.1	45.6	52.7	55.5	46.7	44.3	50.0	53.9	59.5
ACTIVITY	52.2	49.6	47.8	44.7	51.0	46.4	54.3	53.2	52.7	41.8	44.9	49.6	54.6
- HOUSES	48.8	46.6	40.2	34.6	54.8	48.3	49.5	55.2	38.0	37.2	49.0	54.9	58.7
- APARTMENTS	43.9	41.0	25.0	37.5	30.7	30.5	41.6	42.5	54.0	33.8	32.9	44.8	47.4
- COMMERCIAL	55.5	50.7	61.9	52.4	59.2	50.9	56.7	49.6	54.6	51.6	50.7	46.8	55.9
- ENGINEERING	58.5	57.7	58.0	53.6	51.5	52.8	65.6	60.7	68.4	43.4	41.6	48.6	52.6
NEW ORDERS	49.9	59.3	48.6	48.9	52.2	40.3	51.9	58.6	46.3	45.7	53.2	58.4	64.9
EMPLOYMENT	48.9	66.1	46.4	55.0	54.7	46.8	51.4	53.3	42.2	45.2	54.5	57.5	65.2
DELIVERIES	61.4	55.5	47.1	48.9	56.3	52.6	53.2	57.4	42.7	45.3	46.3	47.3	49.1
INPUT PRICES	81.5	85.3	88.5	79.8	87.2	87.7	88.0	88.7	77.3	67.0	67.9	75.5	74.0

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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