

PCI AUSTRALIAN

PERFORMANCE OF CONSTRUCTION INDEX™

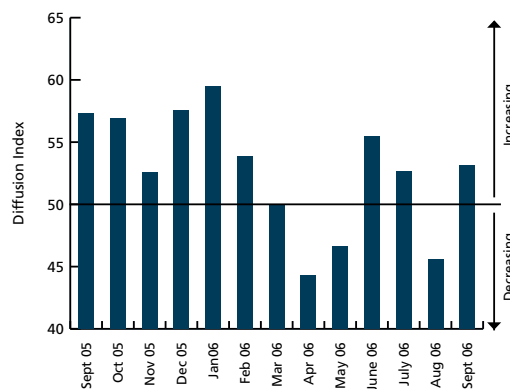


SEPTEMBER 2006

CONSTRUCTION ACTIVITY RESUMES MODERATE GROWTH

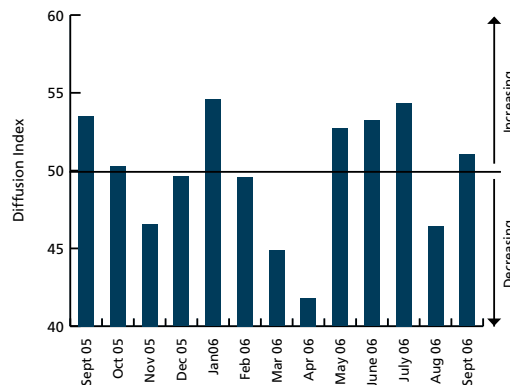
KEY FINDINGS

- National construction activity lifted moderately in September 2006, following the previous month's (interest rate induced) deterioration.
- The seasonally adjusted Australian Industry Group/ Housing Industry Association Performance of Construction Index (**Australian PCI™**) increased by 7.5 points in September to 53.1 (above the 50.0 points level separating expansion from contraction).
- A pick-up in new home starts and increased work from the mining sector were among the factors cited by firms for the lift in construction activity. However, the dampening influence on activity of higher interest rates remained a concern for many firms.
- Activity and new orders expanded after posting declines in the previous month, leading to higher growth in deliveries and an upturn in employment.
- By sector, the lift in the September index was driven by stronger growth in commercial construction and a pick up in house building activity.



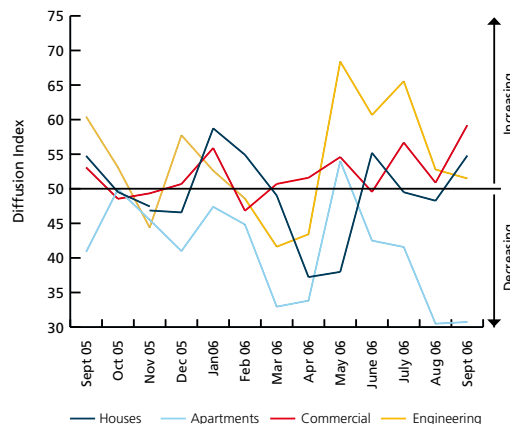
CONSTRUCTION ACTIVITY

- In seasonally adjusted terms, the activity sub-index rose 4.6 points in September to 51.0, signalling a return to growth after the contraction in August.
- It was the fourth rise in the total value of activity from all construction projects (houses, apartments, commercial and engineering) in the past five months.
- Despite this improvement, the rate of growth in September was below levels recorded during the three months to July 2006.
- The upturn reflected a strengthening in activity in the commercial and house building sectors. In contrast, the apartment sector remained a negative influence on growth, with the sub-index virtually unchanged on the twelve-month low of August 2006.

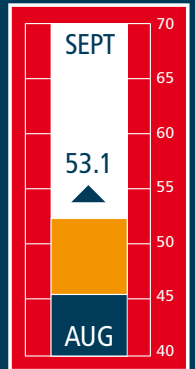


ACTIVITY BY SECTOR

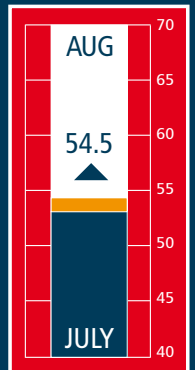
- House building activity (seasonally adjusted) increased by 6.5 points in September to 54.8. This follows a decline in August and indicates renewed momentum.
- Engineering construction continued to expand, although the rate of growth moderated with the sub-index falling 1.3 points in September to 51.5.
- Commercial construction was the best performing sector in September, with the sub-index increasing by 8.3 points to 59.2, the highest level of the past thirteen months.
- In contrast, apartment building activity continued to contract in September, the index remaining at a particularly subdued level of 30.7.



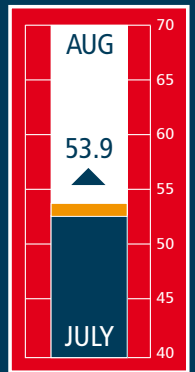
AUSTRALIAN PCI™



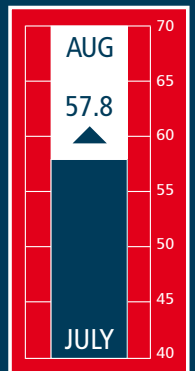
UK CONSTRUCTION INDEX*



GERMANY CONSTRUCTION INDEX*

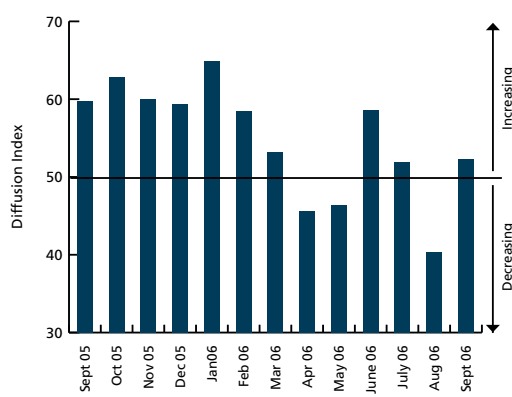


IRELAND CONSTRUCTION INDEX*



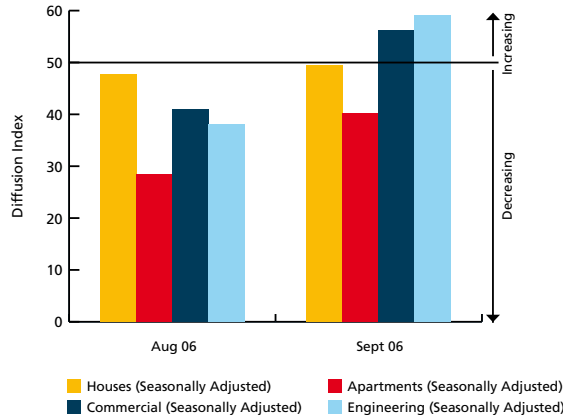
NEW ORDERS

- New orders (seasonally adjusted) recovered in September 2006, underpinning the improvement of the **Australian PCI™** and pointing to stronger activity in the months ahead.
- The new orders index rose 11.9 points in September to 52.2, following the marked fall-off of the previous month.
- While it represented the second highest rate of expansion in the past six months, growth in September was still 12.7 points lower than the peak reading in January 2006.



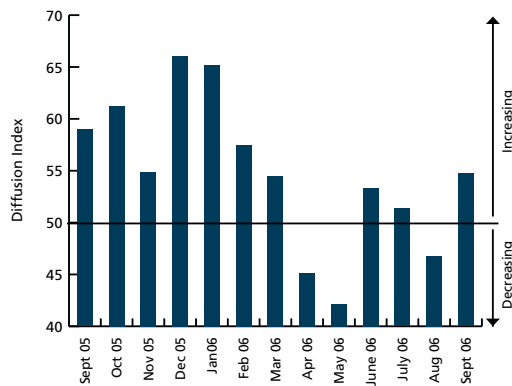
NEW ORDERS BY SECTOR

- New order indexes rose across all construction sectors in September, although only orders received for engineering and commercial construction work registered a positive rate of growth (above the 50.0 mark).
- The engineering construction sector recorded the strongest rate of increase, and the most substantial upturn with an index reading of 59.1, up 21.1 points rise on the previous month.
- For commercial construction, the index stood at 56.2, to be 15.2 points above the index reading for August.
- More stable demands is signalled for the house building sector with the index rising by 1.9 points to 49.6.
- While the apartment sector index was the lowest of all sectors at 40.2, it was 11.7 points higher than August.



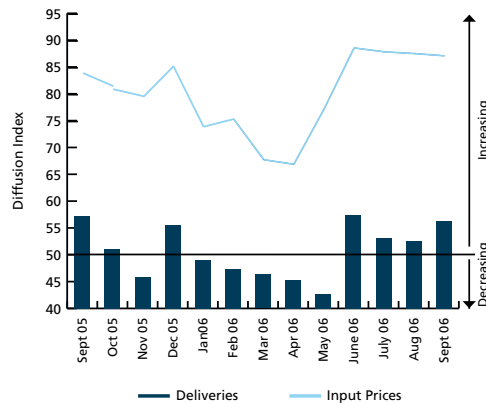
EMPLOYMENT

- Reflecting the lift in overall activity, employment (seasonally adjusted) expanded in September 2006, after the cut backs of the previous month.
- A strengthening in commercial and house building work in particular saw the employment sub-index rise by 7.9 points to 54.7.
- This was the highest reading over the past seven months, although still 11.4 points below the peak of December 2005.
- Employment levels have now expanded in three of the past four months.



DELIVERIES AND INPUT COSTS

- Higher work levels are reflected in an increase in supplier deliveries in September.
- The supplier delivery sub-index rose by 3.7 points to 56.3.
- Construction cost increases remained strong, moderating only slightly in September. The sub-index edged down to 87.2 from 87.7 in August 2006, and a twelve-month high of 88.7 in June 2006.
- Almost three quarters of firms (76%) reported increases in the month, while only 3% reported decreases.



NATIONAL INDEXES

	Sept 06	Sept 05	Aug 06	July 06	Jun 06	May 06	Apr 06	Mar 06	Feb 06	Jan 06	Dec 05
AUSTRALIAN PCI™	53.1	57.3	45.6	52.7	55.5	46.7	44.3	50.0	53.9	59.5	57.5
ACTIVITY	51.0	53.5	46.4	54.3	53.2	52.7	41.8	44.9	49.6	54.6	49.6
- HOUSES	54.8	54.2	48.3	49.5	55.2	38.0	37.2	49.0	54.9	58.7	46.6
- APARTMENTS	30.7	40.9	30.5	41.6	42.5	54.0	33.8	32.9	44.8	47.4	41.0
- COMMERCIAL	59.2	53.1	50.9	56.7	49.6	54.6	51.6	50.7	46.8	55.9	50.7
- ENGINEERING	51.5	60.4	52.8	65.6	60.7	68.4	43.4	41.6	48.6	52.6	57.7
NEW ORDERS	52.2	59.7	40.3	51.9	58.6	46.3	45.7	53.2	58.4	64.9	59.3
EMPLOYMENT	54.7	59.0	46.8	51.4	53.3	42.2	45.2	54.5	57.5	65.2	66.1
DELIVERIES	56.3	57.3	52.6	53.2	57.4	42.7	45.3	46.3	47.3	49.1	55.5
INPUT PRICES	87.2	83.3	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 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

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