

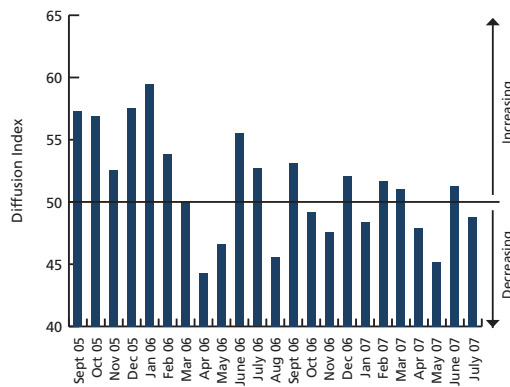


JULY 2007

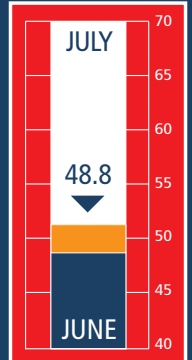
CONSTRUCTION REMAINS FRAGILE AS HOUSE BUILDING WEAKENS

KEY FINDINGS

- The national construction industry deteriorated in July 2007 following the moderate growth of the previous month.
- The seasonally adjusted Australian Industry Group/ Housing Industry Association Performance of Construction Index (Australian PCI™) decreased by 2.5 points in July to 48.8 (below the key 50.0 points level separating expansion from contraction).
- The deterioration was underpinned by weakening activity in the house building sector (following an easing in the rate of contraction during June), and a further (although less marked) decline in the apartment market. This outweighed growth conditions in the engineering and commercial building sectors.
- Whereas a number of non-residential constructors (particularly those engaged in engineering construction) cited the positive influence on activity of a sizable pipeline of work, firms in the house building sector reported that demand was being undermined by weakness in new home starts, a lack of supply of affordable housing, and concerns about further interest rate rises.
- The fragile state of the industry as a whole was reflected in a sharp fall in new orders in July, which cancelled much of the improvement posted in the previous month. This resulted in a further (albeit marginal) decline in the activity sub-index, and renewed weakness in employment.

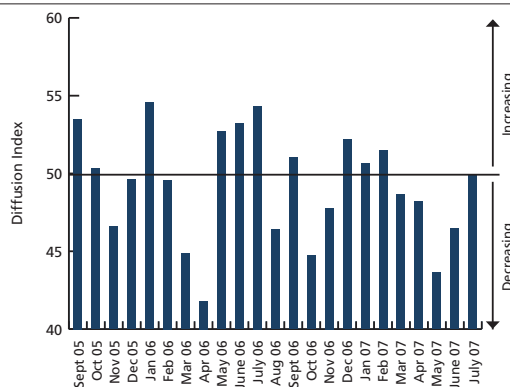


AUSTRALIAN PCI™

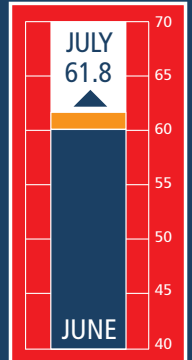


CONSTRUCTION ACTIVITY

- In seasonally adjusted terms, the activity sub-index in July registered 49.9.
- Despite remaining subdued, it was 3.5 points above the index reading for June 2007, signalling a slower rate of decline in total construction activity for a second consecutive month.
- Underlying this result was a less marked rate of decline in apartment building, combined with a strong upturn in engineering construction and continued growth in commercial building.
- While activity was mixed across the sectors, July represented the fifth consecutive month of decline in the total value of activity from all construction projects (houses, apartments, commercial and engineering).

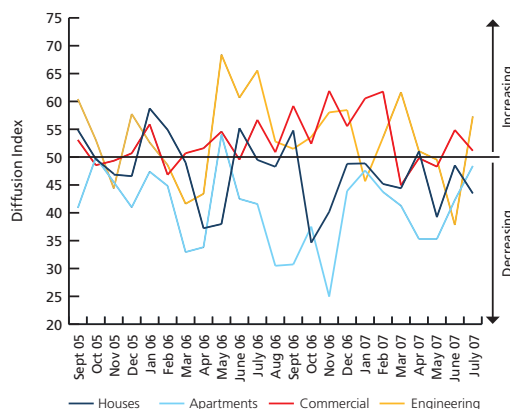


UK CONSTRUCTION INDEX*

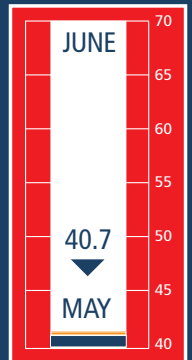


ACTIVITY BY SECTOR

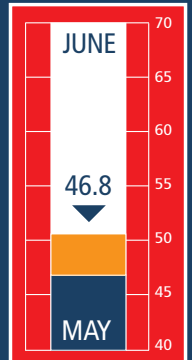
- House building activity contracted at a higher rate in July, following tentative signs of improving activity in June, with the sub-index declining by 5.0 points to 43.5.
- Activity in the apartment building sector also remained in negative territory. However, the sub-index rose by 6.1 points during July, to register its highest reading (48.4) over the past 14 months, consistent with stronger approvals data in June.
- Engineering construction (seasonally adjusted) posted the strongest activity reading in July, the sub-index lifting by 19.5 points to 57.3, with firms mainly linking the increase to an expansion in new business generated in the previous month.
- The commercial construction sector maintained growth, although the rate of increase moderated with the sub-index declining by 3.8 points to 51.1.



GERMANY CONSTRUCTION INDEX*

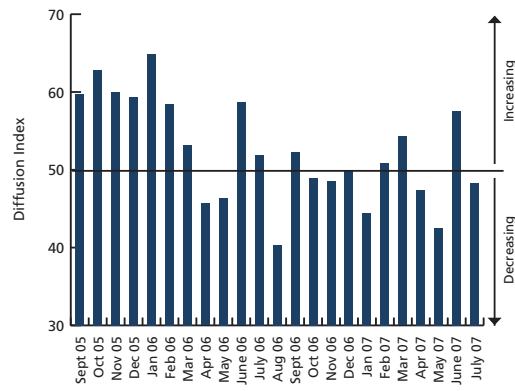


IRELAND CONSTRUCTION INDEX*



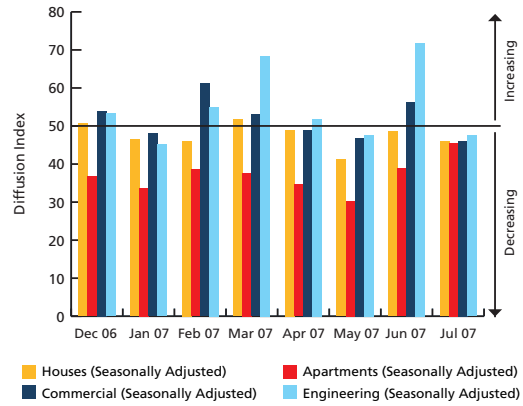
NEW ORDERS

- New orders (seasonally adjusted) declined markedly in July following the strong (engineering construction driven) upturn of the previous month.
- The new orders index registered 48.3 in July, down by 9.3 points on the 12-month high level of June 2007.
- This result mainly reflects a large decline in July, from a solid base of incoming business, in new engineering construction project work.



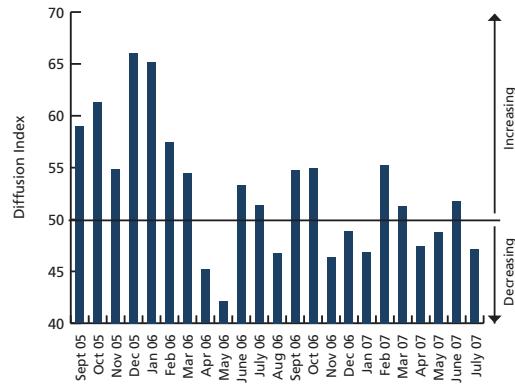
NEW ORDERS BY SECTOR

- New orders contracted across all four sectors in July, although an improvement relative to June was registered in the apartment building sector.
- The engineering construction sector recorded the most marked reduction, with the index falling by 24.2 points to 47.6, offsetting the upturn of the previous month.
- A decline in new orders in commercial construction also countered the rise reported in June, the sub-index falling by 10.3 points to 46.0.
- In the apartment sector, new orders remained at the lowest level of all sectors (for an eighth consecutive month), with an index reading of 45.5. This was, however, 6.7 points above the level of June 2007, indicating an improvement in demand for a second consecutive month.
- New orders in the house building sector continued to decline with the index registering 45.9 in July (down 2.6 points) following an easing in the rate of contraction during the previous month.



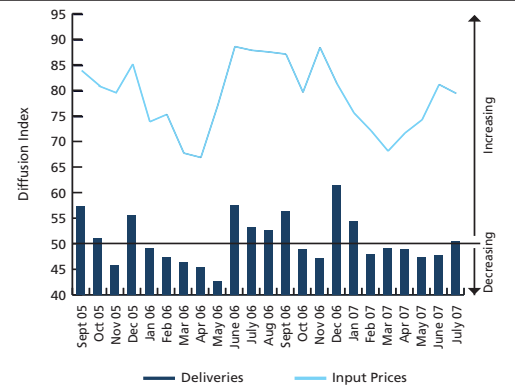
EMPLOYMENT

- A deterioration in new order books resulted in a decline in employment levels during July.
- The employment sub-index in July registered 47.1 to be 4.6 points below the June reading.
- Increases in employment in engineering and commercial construction were mainly offset by lower numbers employed in the house building sector.
- Employment levels have now contracted in three of the past four months.



DELIVERIES AND INPUT COSTS

- Higher orders in June contributed to a rise in supplier deliveries.
- However, overall growth was marginal with an index reading of 50.5, 2.8 points above the level in June 2007.
- While the rate of growth in construction costs remained high in July, an easing was evident with the sub-index falling by 1.7 points to 79.6.
- Reports by firms point to the impact of the Australian dollar's appreciation in lowering the cost of imported materials.



NATIONAL INDEXES

	July 07	July 06	Jun 07	May 07	Apr 07	Mar 07	Feb 07	Jan 07	Dec 06	Nov 06	Oct 06	Sept 06	Aug 06
AUSTRALIAN PCI™	48.8	52.7	51.3	45.1	47.9	51.1	51.7	48.4	52.1	47.6	49.2	53.1	45.6
ACTIVITY	49.9	54.3	46.4	43.7	48.2	48.6	51.5	50.6	52.2	47.8	44.7	51.0	46.4
- HOUSES	43.5	49.5	48.5	39.2	51.0	44.4	45.2	48.9	48.8	40.2	34.6	54.8	48.3
- APARTMENTS	48.4	41.6	42.3	35.3	35.3	41.3	43.7	47.6	43.9	25.0	37.5	30.7	30.5
- COMMERCIAL	51.1	56.7	54.9	48.3	49.8	45.0	61.8	60.5	55.5	61.9	52.4	59.2	50.9
- ENGINEERING	57.3	65.6	37.8	49.5	51.1	61.7	53.5	45.7	58.5	58.0	53.6	51.5	52.8
NEW ORDERS	48.3	51.9	57.6	42.5	47.4	54.3	50.9	44.4	49.9	48.6	48.9	52.2	40.3
EMPLOYMENT	47.1	51.4	51.7	48.8	47.4	51.3	55.2	46.8	48.9	46.4	55.0	54.7	46.8
DELIVERIES	50.5	53.2	47.7	47.3	49.0	49.2	47.9	54.4	61.4	47.1	48.9	56.3	52.6
INPUT PRICES	79.6	88.0	81.3	74.4	71.8	68.3	72.3	75.7	81.5	88.5	79.8	87.2	87.7

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

CONTACT

Heather Ridout
Chief Executive,
Ai Group
work 02 9466 5504

Simon Tennent
Executive Director, Housing
and Economics,
HIA
work 02 6245 1355

NTC Economics
www.ntceconomics.com

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