

PCI AUSTRALIAN

PERFORMANCE OF CONSTRUCTION INDEX™

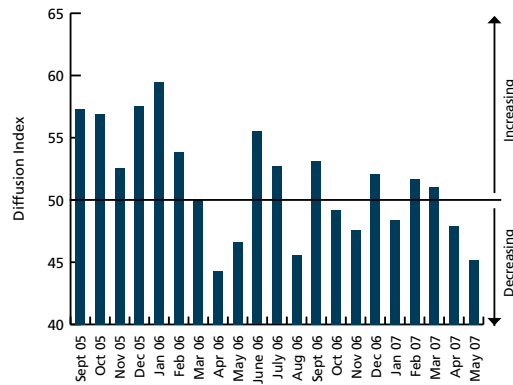


MAY 2007

CONSTRUCTION DECLINES FURTHER AS HOUSE BUILDING WEAKENS

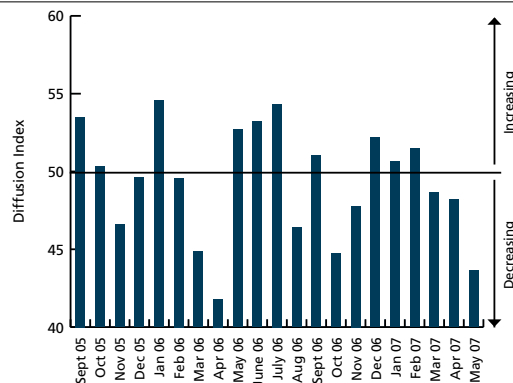
KEY FINDINGS

- The national construction sector deteriorated for a second consecutive month in May 2007, with renewed weakness in house building activity underpinning a higher rate of contraction.
- The seasonally adjusted Australian Industry Group/ Housing Industry Association Performance of Construction Index (Australian PCI™) declined by 2.8 points in May to 45.1 (below the key 50.0 points level separating expansion from contraction).
- A reduction in new home starts, lower customer enquiries, and fewer invitations to tender were among the factors cited by firms for the further reduction in activity. House builders also reported that low housing affordability was having a major impact in constraining demand.
- The activity sub-index fell to its most subdued level in the past 14 months as inflows of new orders fell for a second straight month. This led to a higher rate of decline in deliveries and a further fall (albeit marginal) in employment.
- By sector, the decline in activity in May was mainly attributable to a marked fall-off in house building following the short lived upturn of the previous month. Declines in commercial and engineering projects, and continued weakness in apartment building, also impacted negatively on activity.



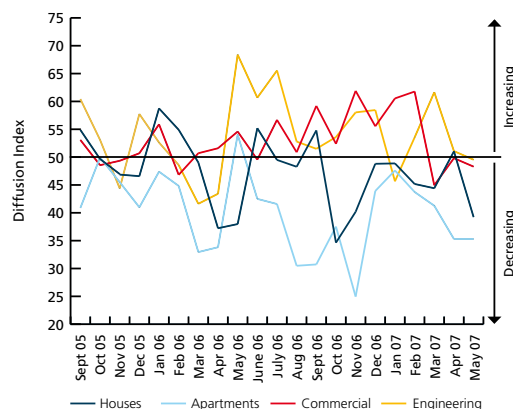
CONSTRUCTION ACTIVITY

- In seasonally adjusted terms, the activity sub-index in May registered 43.7.
- This was 4.5 points below the index reading for April 2007, and signalled a higher rate of decline in total construction activity during May.
- It was the third decline in the total value of activity from all construction projects (houses, apartments, commercial and engineering) over the first five months of the year.
- This deterioration reflects a weakening in the level of new orders across all sectors during the past two months.

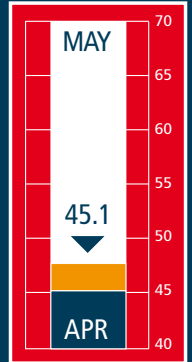


ACTIVITY BY SECTOR

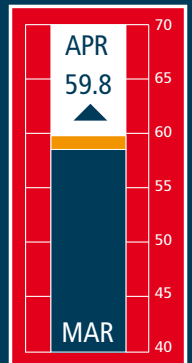
- Apartment building (seasonally adjusted) remained the most subdued sector in May, although the rate of decline in activity steadied with the sub-index unchanged on the previous month at 35.3.
- After posting its first expansion in seven months during April, house building activity turned negative with the sub-index falling by 11.8 points to 39.2.
- Commercial construction declined for a third consecutive month in May, the sub-index registering 48.3, a fall of 1.5 points on April, and 13.5 points below the high base reached two months earlier.
- Reflecting an easing in the pipeline of new work, engineering construction declined slightly in May, the sub-index registering 49.5. While this was 1.6 points lower than in April, it was only the second decline registered by the sector in the past 12 months.



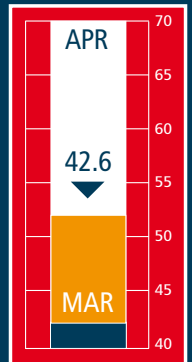
AUSTRALIAN PCI™



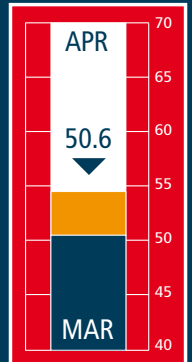
UK CONSTRUCTION INDEX*



GERMANY CONSTRUCTION INDEX*



IRELAND CONSTRUCTION INDEX*



NEW ORDERS

- New orders (seasonally adjusted) contracted for a second straight month in May, pointing to further weakness in total activity in the months ahead.
- The new orders index registered 42.5 in May, down by 4.9 points on the reading in April 2007.
- It was the weakest level of new orders registered since August 2006, and the second most subdued reading since the start of the series in September 2005.
- This coincides with reports by firms of weaker market demand and reduced acquisition of new work.

NEW ORDERS BY SECTOR

- The weakening in new orders was broad-based across the four sectors monitored.
- In the apartment sector, new orders remained at the lowest level of all sectors (for a seventh consecutive month), with the index registering 30.3, to be 4.4 points below the previous month.
- The house building sector registered the most marked decline in new orders in May, the sub-index falling by 7.9 points to 41.1, the second consecutive monthly fall and the most subdued level since October 2006.
- For commercial construction, the index stood at 46.8, a fall of 2.2 points on the April reading, and the highest rate of contraction in the past nine months.
- New orders declined by 4.2 points to 47.7 in the engineering construction sector, although this decline follows an eight month period of almost consistent expansion in new orders.

EMPLOYMENT

- Weaker activity and lower levels of new business led to a marginal reduction in employment during May.
- The employment sub-index in May registered 48.8. This was however 1.4 points above the April reading, indicating an easing in the rate of decline.
- Employment falls were most prevalent among firms with the highest concentration of work in the house building and apartment sectors.

DELIVERIES AND INPUT COSTS

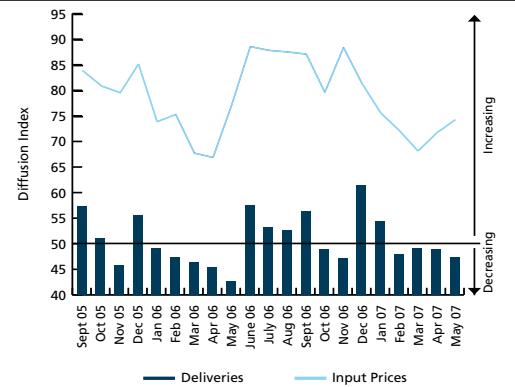
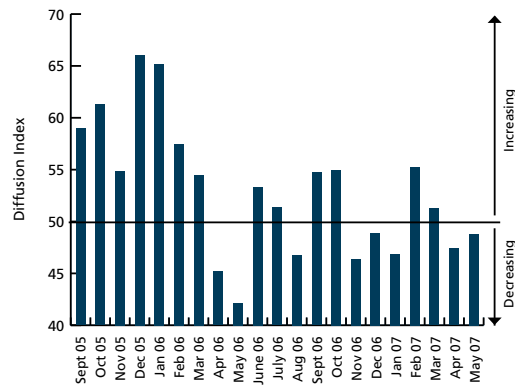
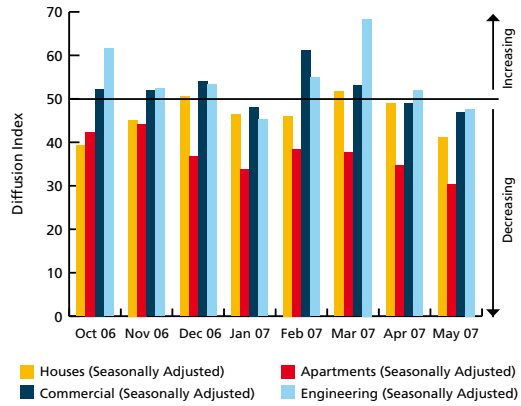
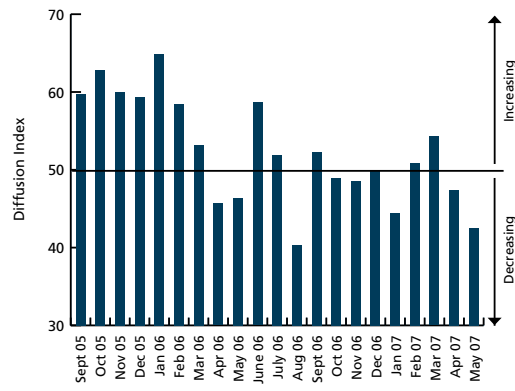
- Reduced activity requirements contributed to a further decline in supplier deliveries during May. It was the fourth consecutive monthly fall, with deliveries declining at a higher rate than in April.
- The decline of 1.7 points in the supplier delivery sub-index to 47.3, saw deliveries at their weakest level since November 2006.
- With on-going constraints on labour and material supplies, construction costs rose at a higher rate in May, the sub-index increasing to 74.4 from 71.8, a rise of 2.6 points.
- However, the current rate of growth in the cost of inputs remains below average levels of the past year, reflecting the lower cost of imported materials arising from the stronger Australian dollar.

NATIONAL INDEXES

	May 07	May 06	Apr 07	Mar 07	Feb 07	Jan 07	Dec 06	Nov 06	Oct 06	Sept 06	Aug 06	July 06	Jun 06
AUSTRALIAN PCI™	45.1	46.7	47.9	51.1	51.7	48.4	52.1	47.6	49.2	53.1	45.6	52.7	55.5
ACTIVITY	43.7	52.7	48.2	48.6	51.5	50.6	52.2	47.8	44.7	51.0	46.4	54.3	53.2
- HOUSES	39.2	38.0	51.0	44.4	45.2	48.9	48.8	40.2	34.6	54.8	48.3	49.5	55.2
- APARTMENTS	35.3	54.0	35.3	41.3	43.7	47.6	43.9	25.0	37.5	30.7	30.5	41.6	42.5
- COMMERCIAL	48.3	54.6	49.8	45.0	61.8	60.5	55.5	61.9	52.4	59.2	50.9	56.7	49.6
- ENGINEERING	49.5	68.4	51.1	61.7	53.5	45.7	58.5	58.0	53.6	51.5	52.8	65.6	60.7
NEW ORDERS	42.5	46.3	47.4	54.3	50.9	44.4	49.9	48.6	48.9	52.2	40.3	51.9	58.6
EMPLOYMENT	48.8	42.2	47.4	51.3	55.2	46.8	48.9	46.4	55.0	54.7	46.8	51.4	53.3
DELIVERIES	47.3	42.7	49.0	49.2	47.9	54.4	61.4	47.1	48.9	56.3	52.6	53.2	57.4
INPUT PRICES	74.4	77.3	71.8	68.3	72.3	75.7	81.5	88.5	79.8	87.2	87.7	88.0	88.7

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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