

# PCI AUSTRALIAN

PERFORMANCE OF CONSTRUCTION INDEX®

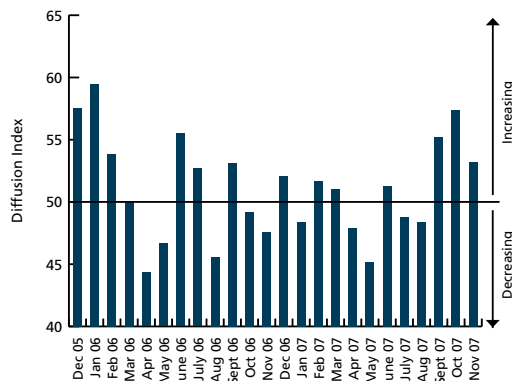


NOVEMBER 2007

## CONSTRUCTION INDUSTRY GROWTH MODERATES

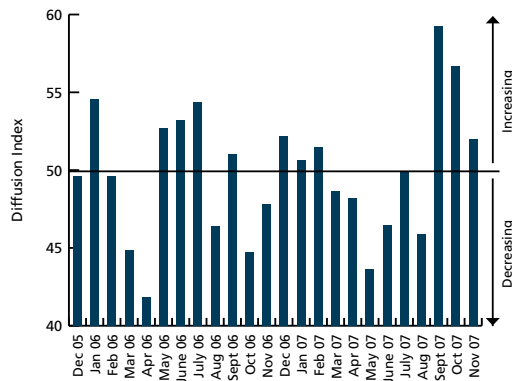
### KEY FINDINGS

- The national construction industry expanded for a third consecutive month in November, although at a slower rate than in October, due largely to lower levels of growth in house building and commercial construction.
- At 53.2 in November, down by 4.2 points on the previous month, the seasonally adjusted Australian Industry Group/ Housing Industry Association Performance of Construction Index (**Australian PCI®**) remained above the critical 50.0 points level separating expansion from contraction.
- Firms noted that the softening in activity reflected the completion of existing projects and lower acquisition of new contracts. Residential builders also cited the impact of the recent interest rate increase and uncertainty in the lead up to the Federal election as key factors constraining growth.
- For the industry as a whole, growth in both activity and new orders moderated in November. This resulted in a more subdued rise in employment following the strong upturn of the previous month.
- Sustained pressures on materials and labour inputs resulted in construction costs lifting to their highest rate in the past 11 months.



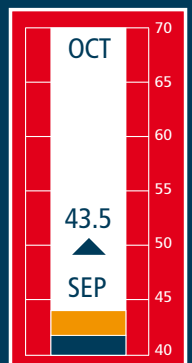
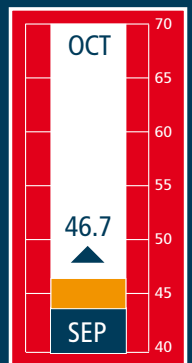
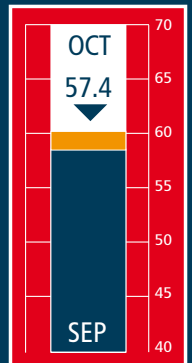
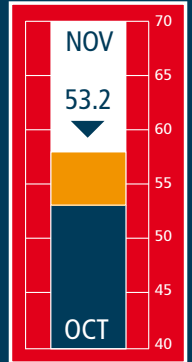
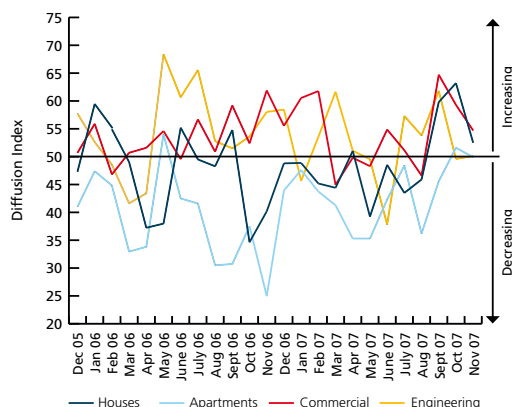
### CONSTRUCTION ACTIVITY

- In seasonally adjusted terms, the activity sub-index in November registered 52.0.
- This was 4.6 points below the index reading for October, signalling a further easing in the rate of increase in total construction activity during November.
- The weaker growth outcome for November reflected slower growth in house building and commercial construction, and a slight decline (following the short-lived upturn of the previous month) in apartment building activity.
- Nevertheless, it marked the third successive month of growth in the total value of activity from all construction projects (houses, apartments, commercial and engineering), with activity 8.3 points higher than six months ago.



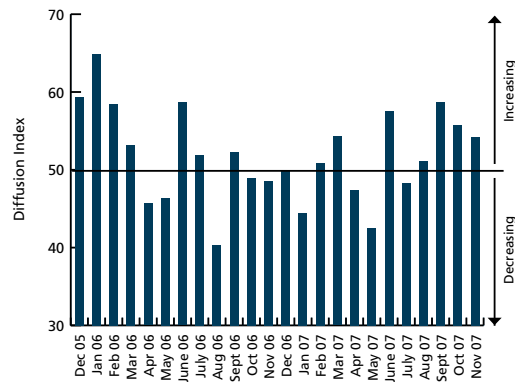
### ACTIVITY BY SECTOR

- House building activity (seasonally adjusted) continued to expand in November, although growth was down markedly from the level of the previous month, the sub-index declining by 10.7 points in November to 52.5.
- While commercial construction was the best performing sector in November, weaker growth was recorded with the sub-index falling 4.6 points to 54.7. This was consistent with a fall-off in new orders during the month, and recent official data reporting an easing in the level of work in the pipeline.
- The apartment building sub-index registered 49.9 in November to signal a slight reduction in activity, after recording growth in October for the first time in 17 months.
- Engineering construction posted only a slight lift in activity, the sub-index rising by 0.5 points to 50.1, although activity has now expanded in four of the past five months.



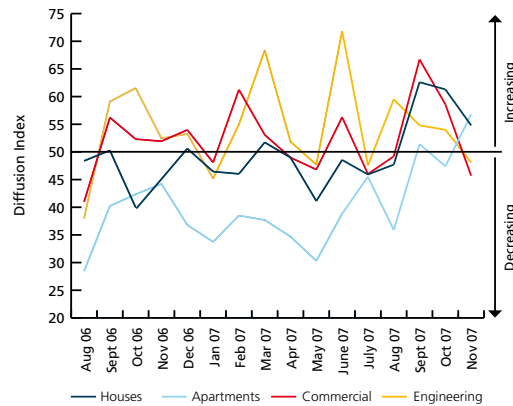
## NEW ORDERS

- Growth in new orders (seasonally adjusted) moderated for the second consecutive month in November, after recording a 20-month high rate of increase in September 2007.
- The new orders index registered 54.2 in November, a decline of 1.5 points on the reading of the previous month.
- This reflected lower new orders growth in house building, and a decline in new work within the commercial and engineering sectors.
- It also signalled the likelihood of a further easing in total construction activity during coming months.



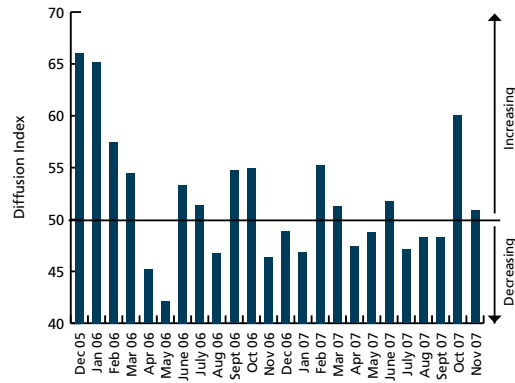
## NEW ORDERS BY SECTOR

- New orders weakened in three of the four sectors monitored in November.
- The commercial construction sector registered the highest rate of decline (albeit from a solid growth level), with the index falling by 12.9 points in November to 45.7, the most subdued reading of all sectors.
- For engineering construction, the index stood at 48.1, to be 5.9 points below the previous month. It was, however, only the fourth decline in orders over the past 12 months, indicative of overall strength in the investment pipeline.
- New orders in house building maintained growth in November, although the rate of increase moderated with the index declining by 6.5 points to 54.8.
- The apartment sector posted the only rise in new orders during November, the index increasing by 9.4 points to 56.8, pointing to stronger activity in coming months.



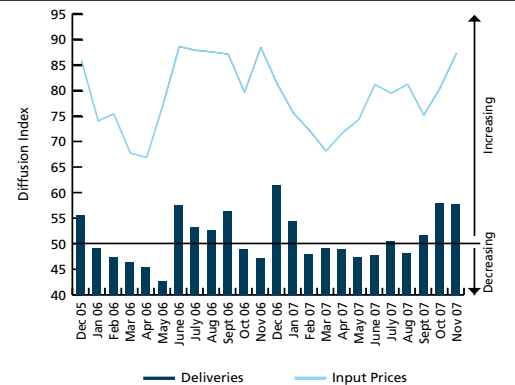
## EMPLOYMENT

- The completion of existing projects and a slower uptake of new business, contributed to weaker employment growth in November.
- The employment sub-index in November registered 50.9, a decrease of 9.2 points on the 21-month high level of October.
- Nevertheless, it was the second consecutive month that construction firms have increased their workforces, following declines in five of the preceding six months.



## DELIVERIES AND INPUT COSTS

- Supplier deliveries held up over the month in response to the further expansion in activity, and as firms factored in requirements for end-of-year project deadlines.
- The supplier delivery index remained virtually unchanged in November, declining by 0.2 points to 57.7.
- Input costs rose at a higher rate in November as pressures on scarce resources intensified.
- The input cost sub-index increased from 80.7 in October to 87.4, a rise of 6.7 points, and the highest rate of growth since November 2006.



## NATIONAL INDEXES

	Nov 07	Nov 06	Oct 07	Sep 07	Aug 07	Jul 07	Jun 07	May 07	Apr 07	Mar 07	Feb 07	Jan 07	Dec 06
<b>AUSTRALIAN PCI®</b>	53.2	47.6	57.4	55.2	48.4	48.8	51.3	45.1	47.9	51.1	51.7	48.4	52.1
<b>ACTIVITY</b>	52.0	47.8	56.6	59.2	45.9	49.9	46.4	43.7	48.2	48.6	51.5	50.6	52.2
- HOUSES	52.5	40.2	63.2	59.8	45.9	43.5	48.5	39.2	51.0	44.4	45.2	48.9	48.8
- APARTMENTS	49.9	25.0	51.6	45.6	36.2	48.4	42.3	35.3	35.3	41.3	43.7	47.6	43.9
- COMMERCIAL	54.7	61.9	59.3	64.7	46.6	51.1	54.9	48.3	49.8	45.0	61.8	60.5	55.5
- ENGINEERING	50.1	58.0	49.6	61.8	53.8	57.3	37.8	49.5	51.1	61.7	53.5	45.7	58.5
<b>NEW ORDERS</b>	54.2	48.6	55.7	58.8	51.1	48.3	57.6	42.5	47.4	54.3	50.9	44.4	49.9
<b>EMPLOYMENT</b>	50.9	46.4	60.1	48.3	48.2	47.1	51.7	48.8	47.4	51.3	55.2	46.8	48.9
<b>DELIVERIES</b>	57.7	47.1	57.9	51.5	48.2	50.5	47.7	47.3	49.0	49.2	47.9	54.4	61.4
<b>INPUT PRICES</b>	87.4	88.5	80.7	75.3	81.4	79.6	81.3	74.4	71.8	68.3	72.3	75.7	81.5

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](http://www.aigroup.asn.au)

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