

PCI AUSTRALIAN

PERFORMANCE OF CONSTRUCTION INDEX™

Australian Industry Group

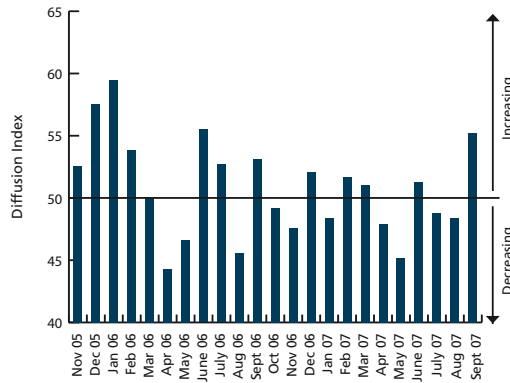


SEPTEMBER 2007

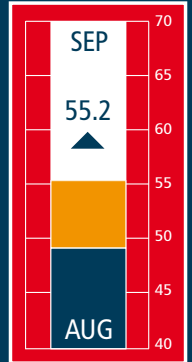
CONSTRUCTION RESUMES GROWTH AS HOUSE BUILDING STRENGTHENS

KEY FINDINGS

- The national construction industry saw a return to growth in September, following the declines of the previous two months, with the improvement underpinned by an upturn in house building and stronger engineering and commercial activity.
- The seasonally adjusted Australian Industry Group/ Housing Industry Association Performance of Construction Index (Australian PCI™) increased by 6.8 points in September to 55.2. This was above the critical 50.0 points level separating expansion from contraction, and signalled the strongest rate of growth since June 2006.
- Firms noted that higher levels of activity reflected an increase in work on both new and existing projects in September. Residential builders also cited the positive influences of improved weather conditions, new marketing campaigns and price discounting in generating increased sales.
- The activity sub-index recorded its first rise since February 2007, while new orders strengthened following the modest increase of the previous month. This resulted in a lift during September in supplier deliveries, although employment registered a further fall.
- While strong demand pressures on materials and labour inputs continued to generate a high rate of increase in construction material (input) costs, the rate of increase eased on the previous month.

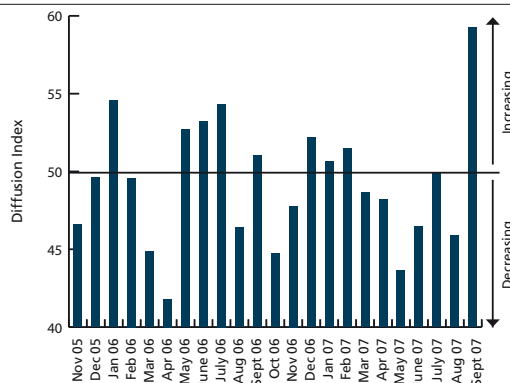


AUSTRALIAN PCI™

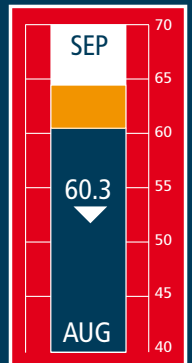


CONSTRUCTION ACTIVITY

- In seasonally adjusted terms, the activity sub-index in September registered 59.2 to be 13.3 points above the index reading for August 2007.
- This was the first expansion in activity in the past seven months, and the highest rate of growth since the start of Australian PCI™ readings in September 2005.
- The stronger activity outcome for September reflected higher inflows of new business, with new orders growth strengthening following a modest pick-up during the previous month.
- By sector, activity was boosted by stronger growth in the non-residential building sectors, combined with a resumption of growth in house building and a less marked rate of contraction in apartment building.

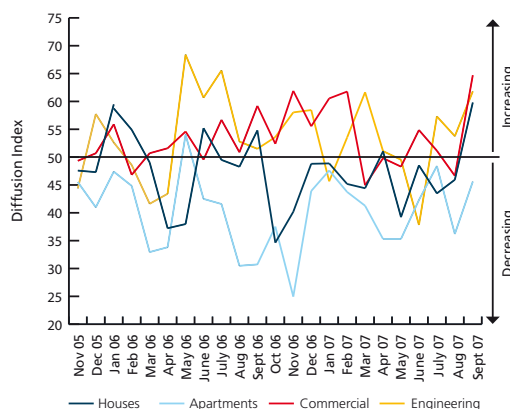


UK CONSTRUCTION INDEX*

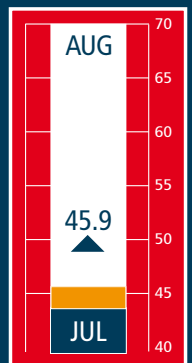


ACTIVITY BY SECTOR

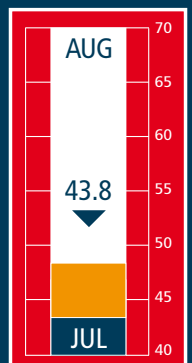
- House building activity (seasonally adjusted) increased by 13.9 points in September 2007 to 59.8, the highest rate of growth over the past two years, and the first rise since April 2007.
- Commercial construction was the best performing sector in September, the sub-index rising 18.1 points to 64.7, underpinned by a strong upturn in levels of new business.
- Reflecting an expanding work pipeline, engineering construction continued to record solid growth, the sub-index registering 61.8, the highest rate of increase over the past fourteen months.
- Although apartment building remained subdued in September, the sector recovered some ground with the sub-index rising by 9.4 points to 45.6, signalling a slower rate of contraction.



GERMANY CONSTRUCTION INDEX*

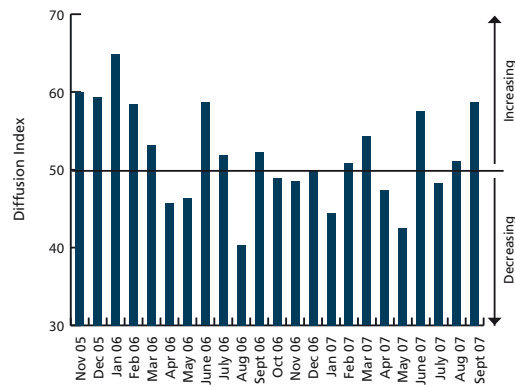


IRELAND CONSTRUCTION INDEX*



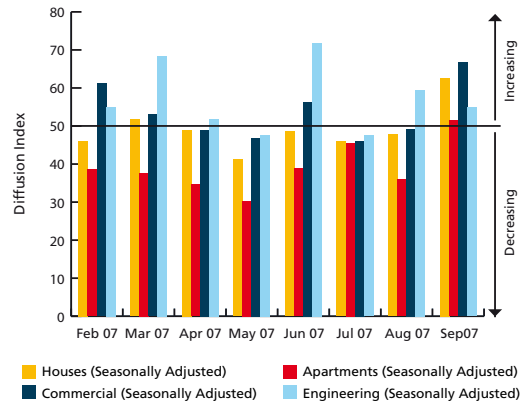
NEW ORDERS

- New orders (seasonally adjusted) strengthened further in September, driven by growth across all four sectors monitored.
- The new orders index registered 58.8 in September, an increase of 7.7 points on the reading in August 2007.
- It was the strongest level of new orders registered since January 2006, and just six points below the peak reading of January 2006.
- This coincides with reports by firms of higher market demand and increased acquisition of new work.



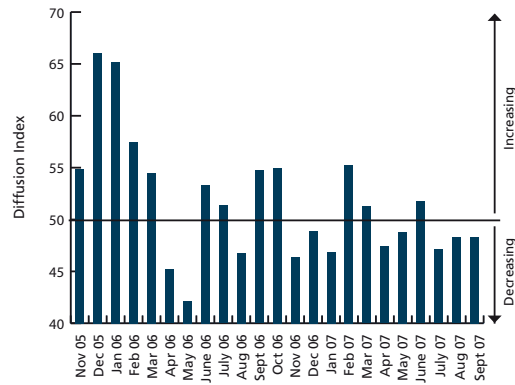
NEW ORDERS BY SECTOR

- In the commercial sector, new orders were at the highest level of all sectors, with an index reading of 66.7, up 17.5 points on the previous month, and the highest reading over the past fourteen months.
- New orders in the house building sector recovered strongly in September, rising by 14.9 points to 62.6, the first increase since March 2007.
- For engineering construction, the index stood at 54.8. Although this was 4.7 points below the previous month, it represented the third increase in the past four months, consistent with the current strength of the investment pipeline.
- In the apartment sector, new orders recovered from the sub-40 index levels that have characterised the past 12 months, to post a rise of 15.5 points to 51.4, providing early signs of a recovery in apartment building activity.



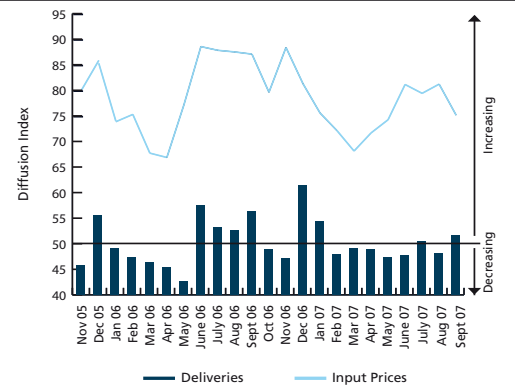
EMPLOYMENT

- Despite the growth in activity, employment continued to record a decline during September.
- The employment sub-index in September registered 48.3. This was virtually unchanged on the reading of the previous month.
- Employment levels have now contracted in five of the past six months, with stronger new business in the house building and the apartment sectors in September, having no notable impact on workforce levels.



DELIVERIES AND INPUT COSTS

- A broad industry based increase in new orders in September, contributed to an increase in supplier deliveries.
- The supplier delivery index rose by 3.3 points to 51.5, the highest rate of growth since January 2007.
- Despite remaining at a high level, input costs rose at a lower rate in September.
- The input cost sub-index declined from 81.4 in August to 75.3, a fall of 6.1 points.



NATIONAL INDEXES

	Sep07	Sep06	Aug07	Jul07	Jun07	May07	Apr07	Mar07	Feb07	Jan07	Dec06	Nov06	Oct 06
AUSTRALIAN PCI™	55.2	53.1	48.4	48.8	51.3	45.1	47.9	51.1	51.7	48.4	52.1	47.6	49.2
ACTIVITY	59.2	51.0	45.9	49.9	46.4	43.7	48.2	48.6	51.5	50.6	52.2	47.8	44.7
- HOUSES	59.8	54.8	45.9	43.5	48.5	39.2	51.0	44.4	45.2	48.9	48.8	40.2	34.6
- APARTMENTS	45.6	30.7	36.2	48.4	42.3	35.3	35.3	41.3	43.7	47.6	43.9	25.0	37.5
- COMMERCIAL	64.7	59.2	46.6	51.1	54.9	48.3	49.8	45.0	61.8	60.5	55.5	61.9	52.4
- ENGINEERING	61.8	51.5	53.8	57.3	37.8	49.5	51.1	61.7	53.5	45.7	58.5	58.0	53.6
NEW ORDERS	58.8	52.2	51.1	48.3	57.6	42.5	47.4	54.3	50.9	44.4	49.9	48.6	48.9
EMPLOYMENT	48.3	54.7	48.2	47.1	51.7	48.8	47.4	51.3	55.2	46.8	48.9	46.4	55.0
DELIVERIES	51.5	56.3	48.2	50.5	47.7	47.3	49.0	49.2	47.9	54.4	61.4	47.1	48.9
INPUT PRICES	75.3	87.2	81.4	79.6	81.3	74.4	71.8	68.3	72.3	75.7	81.5	88.5	79.8

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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