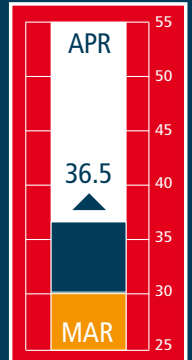
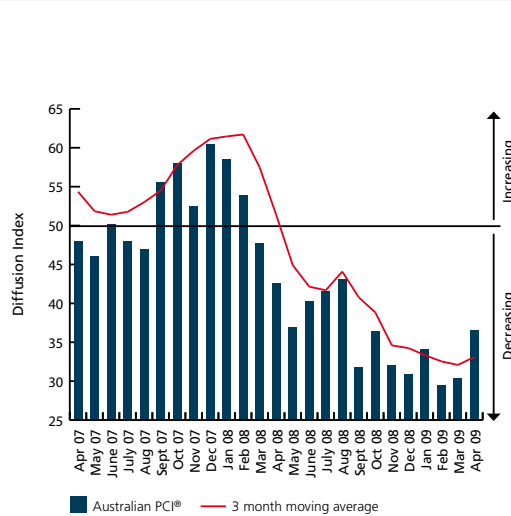




CONSTRUCTION REMAINS SUBDUED DESPITE SLOWER DECLINE IN ACTIVITY

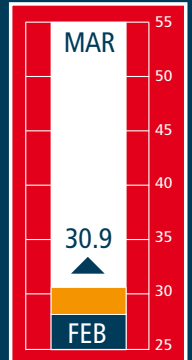
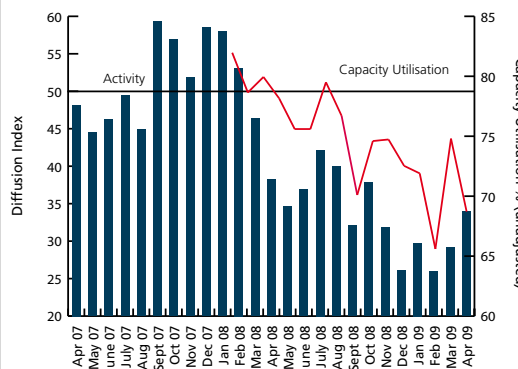
KEY FINDINGS

- The national construction industry continued to decline in April, although the rate of contraction moderated for a second consecutive month.
- The Australian Industry Group/Housing Industry Association Performance of Construction Index registered 36.5 in April. This reading was up by 6.2 points on the previous month, although it remained firmly below the 50 points no-change level, to signal a further marked reduction in total industry activity.
- The continued weakness in industry conditions was linked by most firms to the deteriorating economy and shortages of working capital which had resulted in clients delaying tenders, and in some cases cancelling planned project developments.
- While the fall in activity levels continued on a broad industry front, the engineering and commercial construction sectors registered a greater degree of resilience, with the pace of decline in both sectors at the least marked level since November 2008. In contrast, house building activity fell at a slightly higher rate during April (although the decline was considerably less marked than the low point of November 2008), while the rate of decline in apartment building work was virtually unchanged.
- On an overall industry basis, the continued fall in activity was reflected in further reductions in new orders, employment and supplier deliveries, although at lower rates than the previous month.



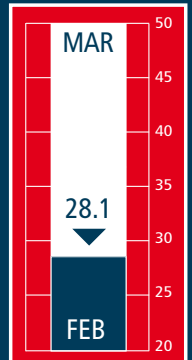
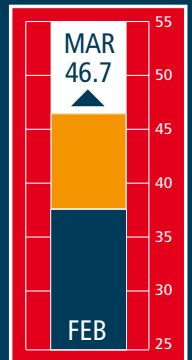
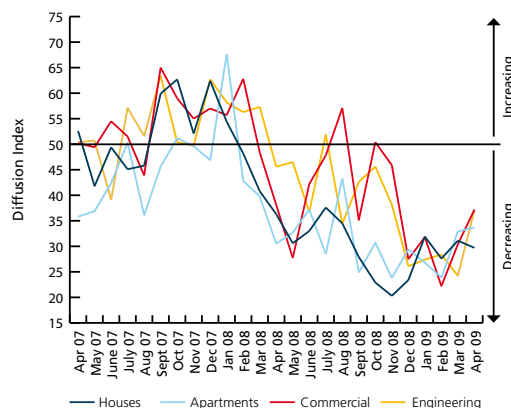
CONSTRUCTION ACTIVITY AND CAPACITY

- In seasonally adjusted terms, the activity sub-index registered 34.0 in April.
- This was 4.9 points above the index reading for March, pointing to a slower pace of contraction in industry activity for a second consecutive month.
- The main influences on this result were the less marked rates of decline in work undertaken on both engineering and commercial construction projects in April.
- Consistent with the further reduction in work loads, the average rate of capacity utilisation registered 68.7% in April, down by 6.1 percentage points on the previous month.



ACTIVITY BY SECTOR

- House building activity contracted for a 15th consecutive month in April, and at a slightly higher rate, with the sub-index falling by 1.4 points to 29.7.
- Apartment building also fell for a 15th straight month. However, the pace of contraction eased marginally, as reflected in an increase in the sub-index of 0.8 points in April to 33.7.
- Commercial construction registered its 12th decline in the past 14 months, with a sub-index reading of 37.2. Nevertheless, this was up by 6.8 points on March, and represented the second consecutive month that the decline in commercial project activity has moderated.
- While the decline in engineering construction was extended to a ninth straight month in April, the engineering sub-index increased by 12.9 points to 37.1, the lowest rate of contraction in the past five months.



NEW ORDERS

- New orders (seasonally adjusted) continued to decline in April, although at a lower rate than the previous month.
- The new orders index registered 32.7, up by 4.7 points on March 2009, to signal the least marked rate of contraction over the past six months.
- The decline in new orders was a result of reductions in levels of incoming business across all four sub-sectors, although a moderation in the pace of decline was evident in the house building, engineering and commercial construction sectors.
- The further overall fall in new orders, however, points to the likelihood of persistent weakness in demand and total activity during coming months.

NEW ORDERS BY SECTOR

- New orders in engineering construction continued to fall, although the rate of decline was considerably weaker than in the previous month, with the index rising by 8.8 points to 36.8. This was also the least pronounced fall of all sectors.
- In commercial construction, new orders declined at a slower pace for a second consecutive month, the index posting a reading of 34.5, up by 4.3 points on March.
- For the house building sector, new orders continued to exhibit weakness with the index registering 32.3. However, this was an increase of 5.2 points on March's reading (and 14.4 points above the low point of November 2008), consistent with the flow through impact of the First Home Owners Grant and lower interest rates.
- New orders in the apartment sector also remained in negative territory. Moreover, the rate of decline increased with the index registering 23.8, down 2.4 points on the previous month.

EMPLOYMENT AND WAGES

- The on-going decline in workloads led to further reductions in employment in April, although the pace of decline moderated for a second straight month.
- The employment sub-index in April registered 40.2, up by 8.1 points on March's reading.
- This was the 13th consecutive month that construction firms have reduced their workforces, mainly due to falling new order volumes.
- Growth in wages was reported at a higher rate, the index registering 50.6, an increase of 3.5 points on the previous month.

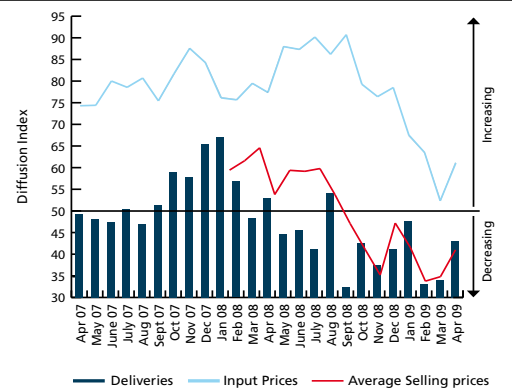
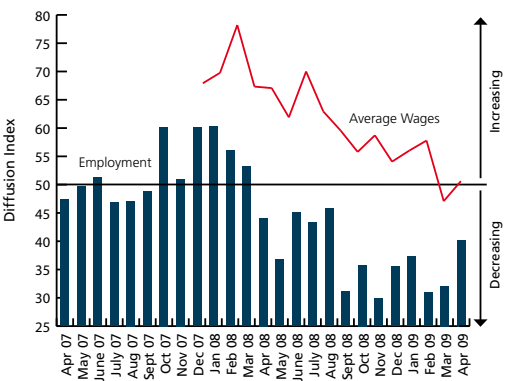
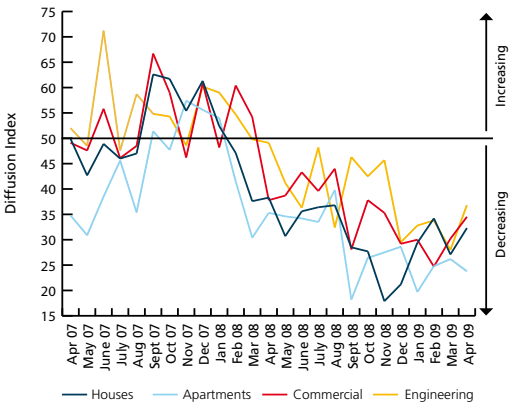
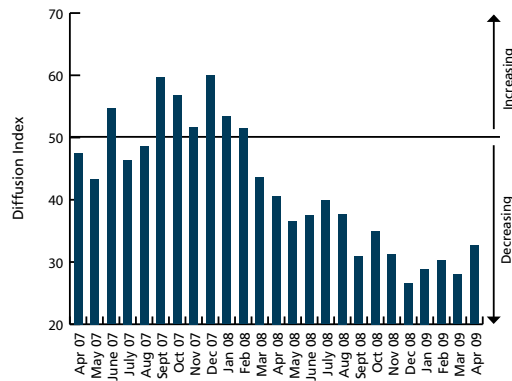
DELIVERIES, INPUT COSTS AND SELLING PRICES

- Firms continued to respond to falling activity levels by scaling back their deliveries from suppliers.
- However, the pace of reduction moderated for a second consecutive month with the supplier delivery index registering 42.9 in April, a rise of 8.8 points on the previous month, and the least marked decline since January 2009.
- Although below levels recorded in 2008 and the first two months of this year, input costs rose at a higher rate than in March 2009, with the input cost sub-index rising by 8.8 points to 61.3.
- The decline in selling prices of construction firms was at a lesser rate, the sub-index registering 41.0, a rise of 6.2 points on the previous month, signalling continued strong pressure on margins.

AUSTRALIAN PCI®*

	April 2009	March 2009	Monthly Change	Direction	Rate of Change	Trend** (Months)
AUSTRALIAN PCI®	36.5	30.3	+6.2	Contracting	Slower	14
ACTIVITY	34.0	29.1	+4.9	Contracting	Slower	14
- HOUSES	29.7	31.1	-1.4	Contracting	Faster	15
- APARTMENTS	33.7	32.9	+0.8	Contracting	Slower	15
- COMMERCIAL	37.2	30.4	+6.8	Contracting	Slower	6
- ENGINEERING	37.1	24.2	+12.9	Contracting	Slower	9
NEW ORDERS	32.7	28.0	+4.7	Contracting	Slower	14
EMPLOYMENT	40.2	32.1	+8.1	Contracting	Slower	13
DELIVERIES	42.9	34.1	+8.8	Contracting	Slower	8
INPUT PRICES	61.3	52.5	+8.8	Expanding	Faster	15
SELLING PRICES	41.0	34.8	+6.2	Contracting	Slower	8
WAGES	50.6	47.1	+3.5	Expanding	na	1
CAPACITY (%)	68.7	74.8	-6.1% pts	Expanding	na	na

Results are based on a sample of approximately 120 companies. New monthly seasonal adjustment factors derived directly from an X-12 estimation process, introduced in April 2009. *Australian PCI data is seasonally adjusted for activity, new orders, employment, deliveries and input prices. ** Number of months moving in current direction.



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.com.au

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