

PCI AUSTRALIAN

PERFORMANCE OF CONSTRUCTION INDEX®

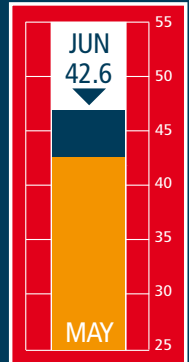
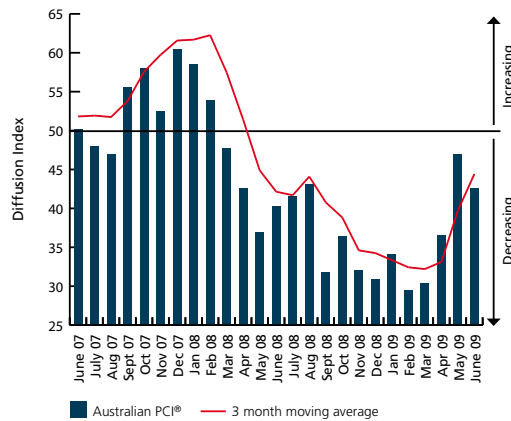


JUNE 2009

CONSTRUCTION FALLS AMID FURTHER DECLINES IN NEW WORK

KEY FINDINGS

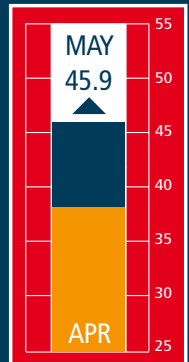
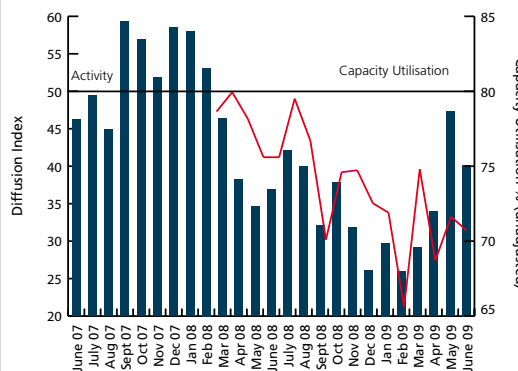
- The national construction industry registered a further, and accelerated, decline in June 2009, following the moderation in the pace of contraction over the previous three months.
- The seasonally adjusted Australian Industry Group/ Housing Industry Association Performance of Construction Index (Australian PCI®) fell by 4.3 points to 42.6 in June, to remain below the critical 50 points no-change level for a 16th consecutive month.
- Firms linked the persistent weakness in industry conditions to the deteriorating economy and low business confidence which had led to continuing delays in tenders and cutbacks on new construction projects. However, there were a number of reports citing the positive impact of low interest rates and the First Home Owners Grant in supporting house building activity.
- All sectors experienced continued falls in activity, although the pace of decline increased more markedly in apartment building and engineering construction, while commercial construction also fell substantially. House building exhibited a greater degree of resilience, posting the least marked rate of decline of all sectors.
- On an aggregate industry basis both activity and new orders posted sharper declines in June, with the ongoing weakness in demand resulting in a further reduction in employment.



AUSTRALIAN PCI®

CONSTRUCTION ACTIVITY AND CAPACITY

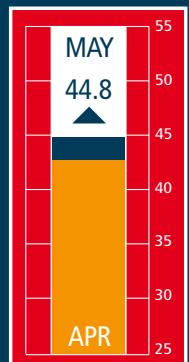
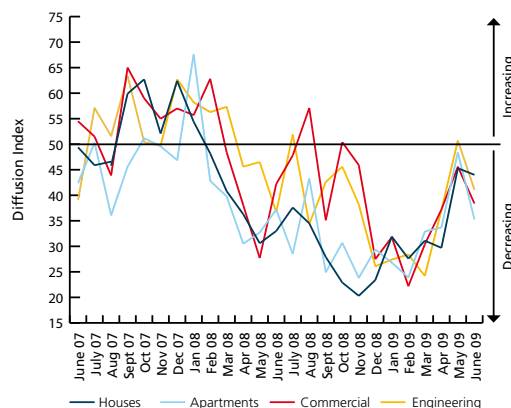
- In seasonally adjusted terms, the activity sub-index registered 40.1 in June.
- This was 7.2 points below the index reading for May, pointing to a faster rate of contraction in industry activity.
- Underlying this result were falls in activity on a broad industry basis, led by a particularly sharp pick-up in the rate of contraction in apartments and engineering construction.
- Reflecting the deterioration in work levels, the average rate of capacity utilisation registered 70.7% in June, down by 0.9 percentage points on the previous month.



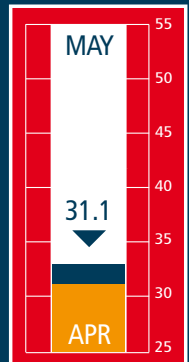
UK CONSTRUCTION INDEX*

ACTIVITY BY SECTOR

- House building activity contracted for a 17th consecutive month in June, with the sub-index registering 44.0, down by 1.3 points on the previous month. At this level, however, activity remained 14.3 points above the reading of April 2009, and exhibited the most resilience of all sectors.
- The pace of decline in apartment building activity accelerated markedly in June with the sub-index falling by 13.1 points to 35.3, in line with the magnitude of decline experienced in both March and April 2009.
- Engineering construction activity also registered a marked contraction in activity with the sub-index declining by 9.6 points to 41.1, following the modest growth outcome of the previous month.
- Commercial construction registered its 14th decline in the past 16 months, with a sub-index reading of 38.4. Moreover, this was down by 7.2 points on May, and ended the trend of three successive months of deceleration in the sector's rate of contraction.



GERMANY CONSTRUCTION INDEX*



IRELAND CONSTRUCTION INDEX*



NEW ORDERS

- New orders (seasonally adjusted) contracted in June for a 16th consecutive month.
- The new orders index registered 38.9, down 8.3 points on the previous month, to indicate an increase in the rate of decline following a moderation in the degree of reduction over the previous two months.
- The decline in new orders reflected falls in levels of incoming business across all sectors, with engineering construction recording the sharpest drop in order intakes.
- As a consequence of the fall in new orders, activity is expected to remain subdued during coming months.

NEW ORDERS BY SECTOR

- New orders in house building declined, the index falling by 4.7 points to 43.9. However, this reading remained 26.0 points above the low point of November 2008 to demonstrate the positive flow on impact of low interest rates and the First Home Owners Grant.
- In engineering construction, new orders posted a marked decline, the index falling by 15.5 points to 36.7. This more than offset the upturn of the previous month and was consistent with reports of further cancellations and deferrals of projects.
- For the apartment sector, new orders remained in negative territory, registering a 17th straight month of decline. Moreover, the index reading of 32.5 was 6.9 points below the previous month to signal an increase in the rate of contraction.
- New orders in the commercial sector also remained under pressure, the index declining by 0.8 points to 40.4, marking the 15th straight month of decline in incoming business.

EMPLOYMENT AND WAGES

- With all sectors reporting declines in workloads, employment posted a further fall in June.
- The employment sub-index in June registered 46.3, slightly up by 0.8 points on May's reading.
- This was the 15th consecutive month that construction firms have reduced their workforces, mainly due to falling new order volumes.
- Growth in wages was reported at a lower rate, the index registering 53.6, a decrease of 1.4 points on the previous month.

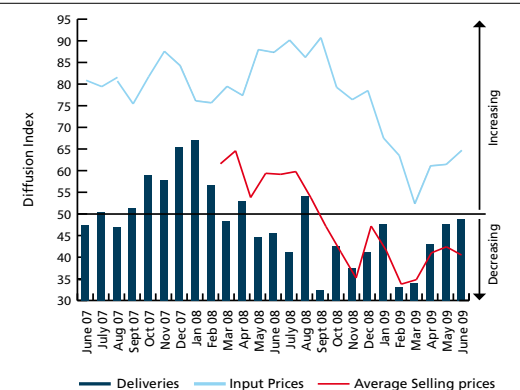
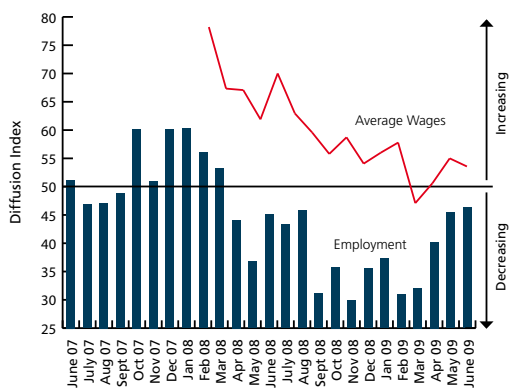
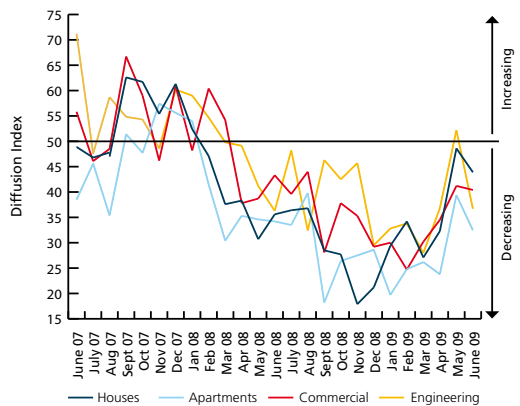
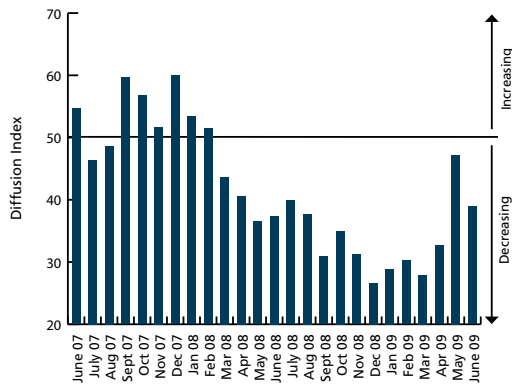
DELIVERIES, INPUT COSTS AND SELLING PRICES

- Firms continued to respond to falling activity levels by scaling back their deliveries from suppliers.
- However, the pace of reduction moderated for a fourth consecutive month with the supplier delivery index registering 48.9 in June, a rise of 1.2 points on the previous month, and the least marked decline since August 2008.
- Although still below levels recorded throughout 2008, input costs rose at a higher pace in June 2009, the input cost sub-index increasing by 3.3 points to 64.9.
- The rate of decline in selling prices was at a higher rate, the sub-index registering 40.5, a fall of 1.9 points on the previous month, signalling continued strong pressure on margins.

AUSTRALIAN PCI®*

	June 2009	May 2009	Monthly Change	Direction	Rate of Change	Trend** (Months)
AUSTRALIAN PCI®	42.6	46.9	-4.3	Contracting	Faster	16
ACTIVITY	40.1	47.3	-7.2	Contracting	Faster	16
- HOUSES	44.0	45.3	-1.3	Contracting	Faster	17
- APARTMENTS	35.3	48.4	-13.1	Contracting	Faster	17
- COMMERCIAL	38.4	45.6	-7.2	Contracting	Faster	8
- ENGINEERING	41.1	50.7	-9.6	Contracting	Faster	1
NEW ORDERS	38.9	47.2	-8.3	Contracting	Faster	16
EMPLOYMENT	46.3	45.5	+0.8	Contracting	Slower	15
DELIVERIES	48.9	47.7	+1.2	Contracting	Slower	10
INPUT PRICES	64.9	61.6	+3.3	Expanding	Faster	17
SELLING PRICES	40.5	42.4	-1.9	Contracting	Faster	10
WAGES	53.6	55.0	-1.4	Expanding	Slower	3
CAPACITY (% pts)	70.7	71.6	-0.9	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. Seasonal adjusted results are based on factors derived from NTC Economics construction indexes, adjusted for Australian conditions. ** 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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