AUSTRALIAN INDUSTRY GROUP

pci AUSTRALIAN

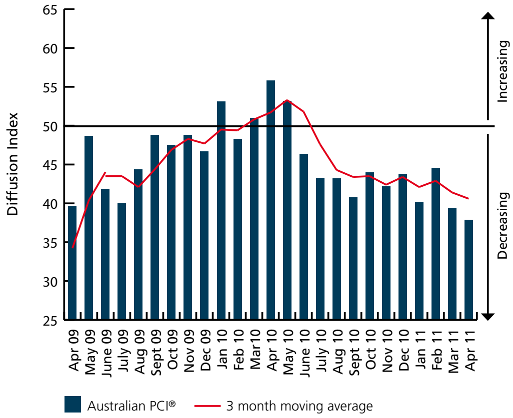
PERFORMANCE OF CONSTRUCTION INDEX®

APRIL 2011

CONSTRUCTION CONTINUES TO CONTRACT IN APRIL

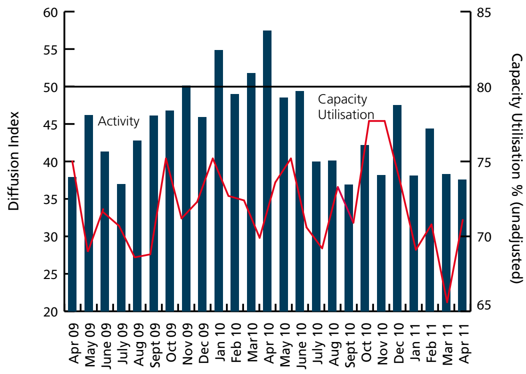
KEY FINDINGS

- The national construction industry continued to contract in April 2011 amid on-going declines in activity, new orders and employment.
- The seasonally adjusted Australian Industry Group Performance of Construction Index (**Australian PCI®**) in conjunction with the Housing Industry Association, declined by 1.5 points to 37.9 in April to remain below the critical 50 points level (that separates expansion from contraction) for an 11th consecutive month. This also represented the weakest reading on the overall state of the industry in just over two years.
- All four major sectors of the industry continued to register reductions in activity during April with apartment building exhibiting the most subdued conditions. House building also remained weak with its reduction more marked than the previous month. However, a slower pace of decline was reported in commercial building and engineering construction.
- Most businesses linked the continued decline in activity to subdued market demand, citing weak levels of incoming new work and low confidence among clients in committing to project investments. It was also widely reported that strong competition to secure existing contracts and continued difficulties funding construction work had impacted negatively upon new business.
- On an aggregate industry basis, the sequence of decline in both activity and new orders was extended to 12 and 11 months respectively. Consistent with these sustained falls, deliveries from suppliers were reduced at a faster rate while employment levels continued to contract as businesses retained a strong focus on cost control.



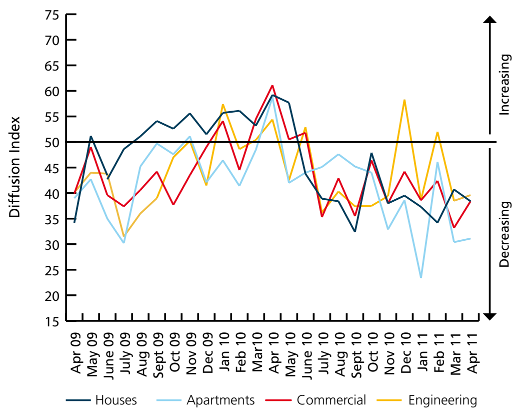
CONSTRUCTION ACTIVITY AND CAPACITY

- In seasonally adjusted terms, the activity sub-index registered 37.6 in April.
- This was 0.7 points below the reading of the previous month pointing to a slight pick-up in the rate of decline in industry activity during the month.
- Underlying April's result were declines in activity on a broad industry front, with the weaker overall performance driven by a steeper decline in house building activity.
- The average rate of capacity utilisation registered 71.1% in April. This was up by 5.5 percentage points on the previous month, although it was unchanged on the average capacity level registered in the first two months of the year.



ACTIVITY BY SECTOR

- House building activity fell for an 11th straight month, with the sub-index registering 38.4. This was also 2.3 points below the reading in March to indicate a steeper rate of growth.
- Apartment building was particularly subdued, regaining only minimal ground of 0.7 points to 31.1 following the sharp reduction of 15.7 points in the previous month.
- Commercial construction declined for a 10th straight month, although the pace of decline moderated with the sub-index rising by 5.2 points to 38.4.
- The engineering construction sector also recorded a slower rate of contraction, albeit to a slight extent, with a sub-index reading of 39.6 in April, up by 1.1 points on the previous month.



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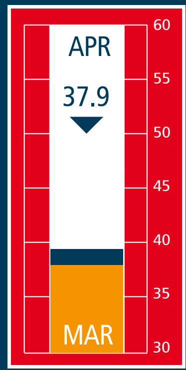
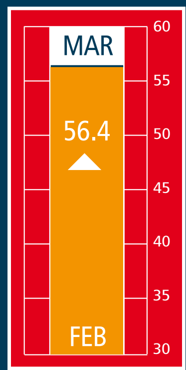
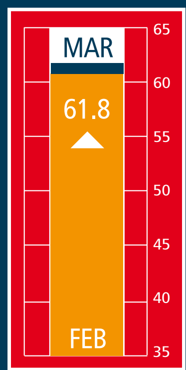


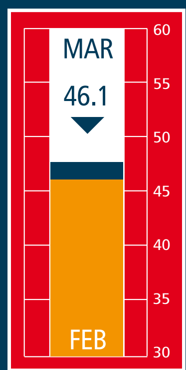
UK CONSTRUCTION INDEX*



GERMANY CONSTRUCTION INDEX*



IRELAND CONSTRUCTION INDEX*



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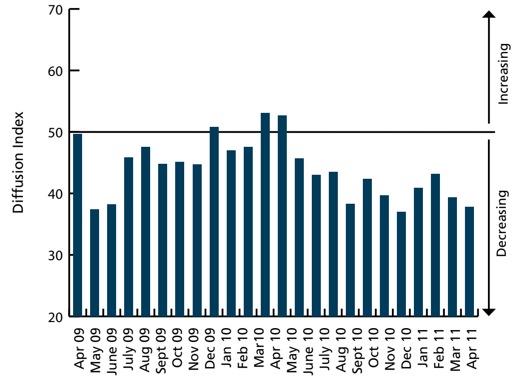
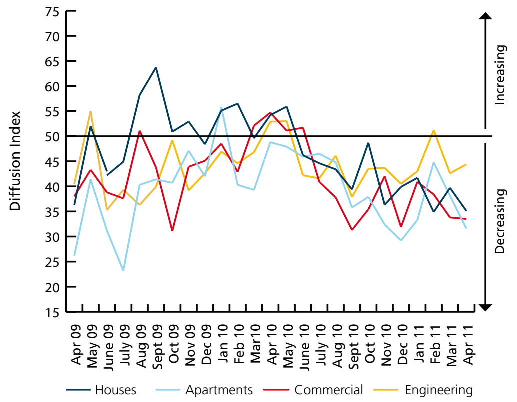
NEW ORDERS

- New orders (seasonally adjusted) declined in April for an 11th consecutive month.
- The new orders index registered 37.8, a reduction of 1.6 points on March to indicate a more pronounced rate of decline.
- This reflected the impact of steeper declines in new orders received by businesses operating in the house building, apartment and commercial construction sectors.
- The overall fall in new orders points to a continuation of tough operating conditions and subdued work levels in coming months.



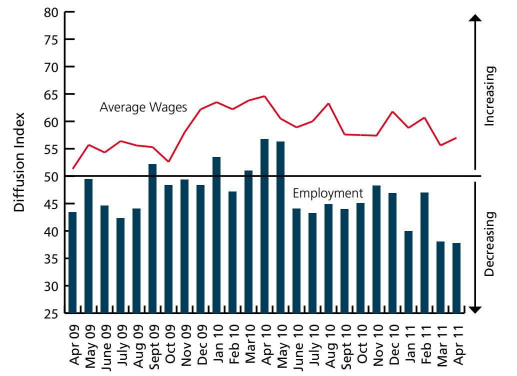
NEW ORDERS BY SECTOR

- New orders in house building maintained the decline evident since June 2010, with a sub-index reading of 35.1. Moreover, this was 4.6 points below the previous month, pointing to a steeper pace of decline.
- In the engineering construction sector, new orders fell for a second straight month, albeit at a slower rate, with the sub-index rising by 1.8 points to 44.4.
- For the commercial construction sector demand conditions remained subdued, with the sub-index registering 33.5. This was broadly unchanged on March (33.8) with reports indicating a lack of private sector projects to replace the diminishing level of public works.
- New orders in the apartment sector declined for a 15th consecutive month, with the index registering 31.6. This was 6.5 points below the previous month to indicate a more marked rate of contraction.



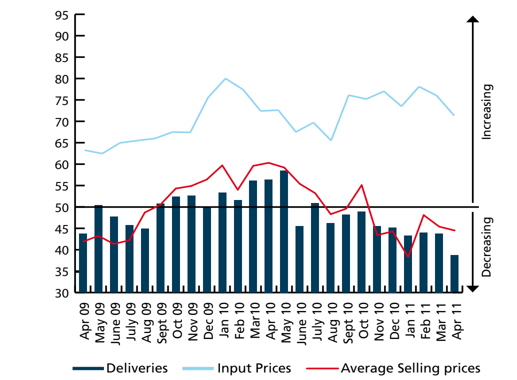
EMPLOYMENT AND WAGES

- The on-going falls in both activity and new orders led to a further decline in employment.
- The employment sub-index registered 37.8 in April, to maintain the decline evident since mid 2010.
- While this was only slightly below (0.3 points) the reading in March, it remained well down on the level (19.0 points) of a year ago.
- Growth in wages continued in April, and at a faster rate than in the previous month, with the index rising by 1.4 points to 57.0.



DELIVERIES, INPUT COSTS AND SELLING PRICES

- Reflecting the on-going weakness in new orders, deliveries of inputs from suppliers continued to decline in April.
- The supplier delivery index registered 38.7 in April. This was a fall of 5.1 points on March, to signal a steeper pace of decline.
- The rate of growth in input costs remained at an elevated level, although growth moderated with the input costs sub-index in April falling by 4.7 points to 71.5.
- Selling prices continued to decline with the sub-index registering 44.5, down 0.5 points on the reading in March, and indicative of on-going pressure on construction margins amid highly competitive market conditions.



AUSTRALIAN PCI®*

	April 2011	March 2011	Monthly Change	Direction	Rate of Change	Trend ** (Months)
AUSTRALIAN PCI®	37.9	39.4	-1.5	Contracting	Faster	11
ACTIVITY	37.6	38.3	-0.7	Contracting	Faster	12
- HOUSES	38.4	40.7	-2.3	Contracting	Faster	11
- APARTMENTS	31.1	30.4	+0.7	Contracting	Slower	12
- COMMERCIAL	38.4	33.2	+5.2	Contracting	Slower	10
- ENGINEERING	39.6	38.5	+1.1	Contracting	Slower	2
NEW ORDERS	37.8	39.4	-1.6	Contracting	Faster	11
EMPLOYMENT	37.8	38.1	-0.3	Contracting	Faster	11
DELIVERIES	38.7	43.8	-5.1	Contracting	Faster	9
INPUT PRICES	71.5	76.2	-4.7	Expanding	Slower	68
SELLING PRICES	44.5	45.4	-0.9	Contracting	Faster	6
WAGES	57.0	55.6	+1.4	Expanding	Faster	25
CAPACITY	71.1	65.6	+5.5	Higher	na	na

*Results are based on a sample of over 150 companies. Forward seasonal factors were generated by the ABS in April 2010.
** Number of months moving in current direction

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WHAT IS THE AUSTRALIAN PCI®?

The Australian Industry Group Performance of Construction Index **(Australian PCI®)** in conjunction with the Housing Industry Association 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 website www.aigroup.com.au

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