

PCI AUSTRALIAN

PERFORMANCE OF CONSTRUCTION INDEX®

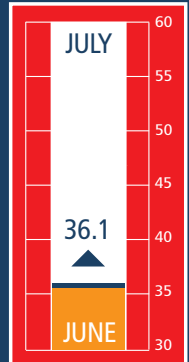
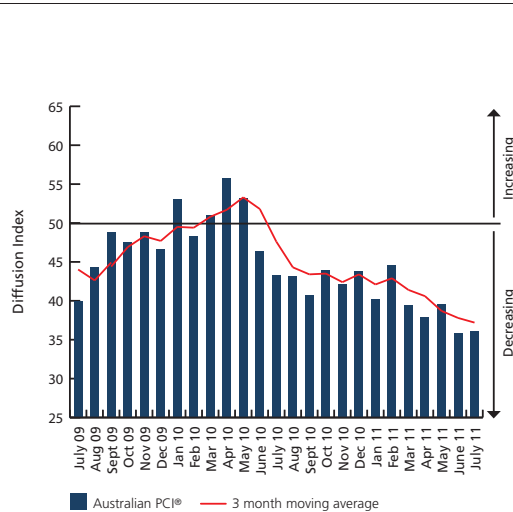


JULY 2011

CONSTRUCTION DOLDRUMS CONTINUE IN JULY

KEY FINDINGS

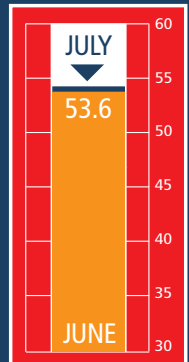
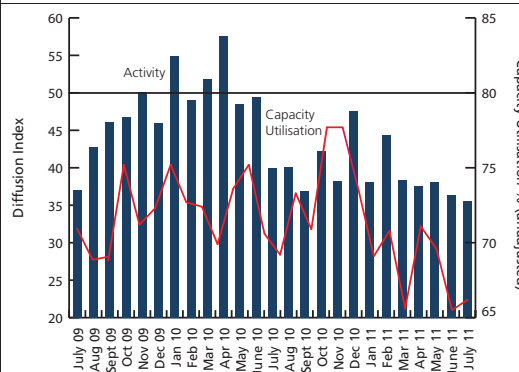
- The national construction industry continued to contract in July driven by further declines in new orders, employment and activity.
- The seasonally adjusted Australian Industry Group Performance of Construction Index (Australian PCI®) in conjunction with the Housing Industry Association registered 36.1 in July, a rise of just 0.3 points on the previous month. The index has been below the 50 point level separating expansion from contraction for 14 consecutive months.
- All four sectors of the industry posted falls in activity during July. The decline in activity in the house building sector was particularly marked, and the steepest in almost 2½ years. Slower rates of decline were reported in the apartment and commercial construction sectors, while engineering construction activity fell at a similar pace to the previous month.
- Most businesses linked the on-going decline in activity to subdued market demand, citing weak levels of incoming new work and delays in development activity. A number of residential builders also reported that activity was continuing to be hampered by weak consumer and investor confidence together with concerns about the economic outlook and uncertainty over future interest rate moves.



AUSTRALIAN PCI®

CONSTRUCTION ACTIVITY AND CAPACITY

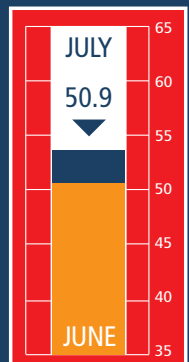
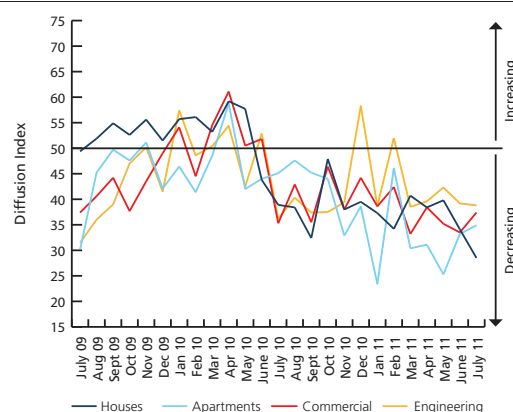
- In seasonally adjusted terms, the activity sub-index registered 35.6 in July.
- This was 0.7 points below the reading of the previous month to signal that the rate of contraction in total industry activity remained broadly unchanged in July.
- House building weakness continued to weigh heavily on the industry's overall performance. For a second consecutive month, the rate of contraction in house building activity accelerated markedly.
- In line with reduced workloads the average rate of capacity utilisation remained subdued, rising by just 0.7 points during the month to 66.2%.



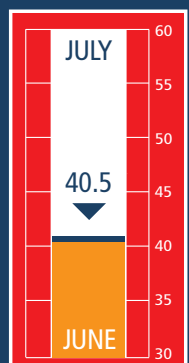
UK CONSTRUCTION INDEX*

ACTIVITY BY SECTOR

- House building activity fell for a 14th straight month, with the sub-index registering 28.5. This was 5.6 points below the reading in June to indicate a steeper rate of decline.
- Apartment building continued to exhibit weakness in July. However, at 34.9, the sub-index was 1.2 points above the level in June, to mark the slowest rate of contraction over the past five months.
- Commercial construction declined for a 13th consecutive month, although at a slower rate, with the sub-index rising by 3.9 points to 37.4.
- The fall in engineering construction was maintained for a fifth straight month with a sub-index reading of 38.8, a fall of 0.4 points on June. Nevertheless, the pace of contraction remained the slowest of all sectors.



GERMANY CONSTRUCTION INDEX*

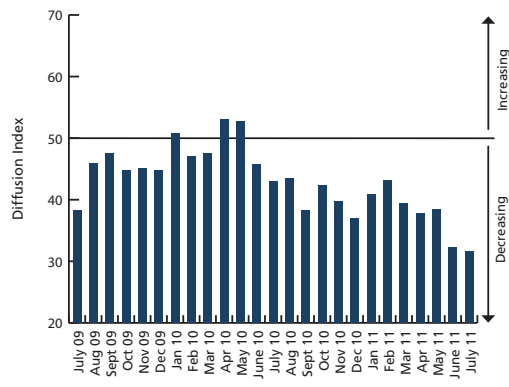


IRELAND CONSTRUCTION INDEX*



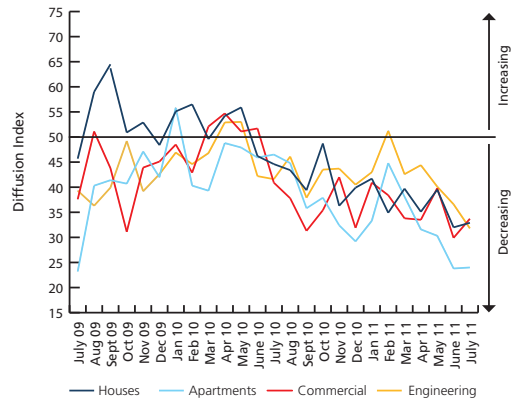
NEW ORDERS

- New orders (seasonally adjusted) continued to decline in line with the overall subdued and fragile state of industry demand.
- The new orders index registered 31.6, a decline of 0.6 points on June to signal a slightly more marked rate of decline.
- This result reflected falls in new orders on a broad industry front, with the steepest declines registered by businesses engaged in apartment building work.
- The persistent fall in new orders points to a continuation in coming months of tough operating conditions and weak activity levels.



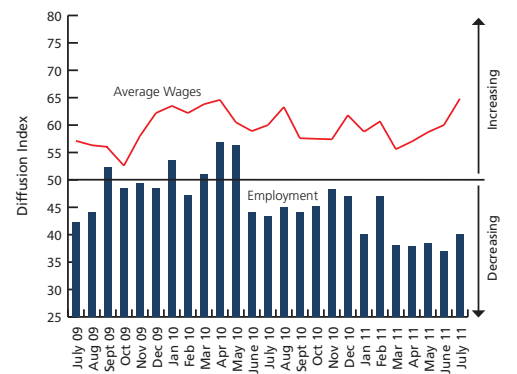
NEW ORDERS BY SECTOR

- New orders in house building maintained the decline evident since June of last year, with a sub-index reading of 32.9. This was 0.9 points above the reading of the previous month to indicate a slight easing in the rate of contraction.
- For the commercial construction sector new orders continued to contract, although at a slower pace, as reflected in a rise in the sub-index of 3.8 points to 33.7. Respondents mainly linked the weakness in demand to subdued private sector development activity and a dwindling level of school building projects.
- In the engineering construction sector, new orders fell for a fifth straight month with the sub-index falling by 4.8 points to 31.8, reflecting lags in the flow of new resources/infrastructure work to respondent businesses.
- New orders in the apartment sector declined for an 18th consecutive month, with the sub-index registering 24.0.



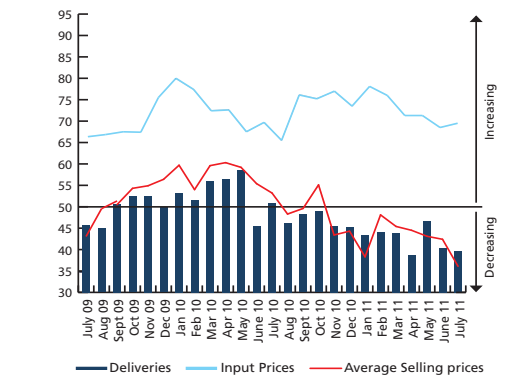
EMPLOYMENT AND WAGES

- With continued declines in activity and new orders, industry employment also fell further.
- The employment sub-index registered 40.0 in July, a rise of 3.0 points on the previous month to indicate a slower pace of decline.
- This extended the sequence of contracting employment in the industry to 14 consecutive months.
- Growth in wages continued in July, and at a faster rate than in the previous month, with the index rising by 4.8 points to 64.8.



DELIVERIES, INPUT COSTS AND SELLING PRICES

- Consistent with ongoing falls in new orders, deliveries of inputs from suppliers continued to decline in July, and at a more marked rate than the previous month.
- The supplier delivery index registered 39.6, a decline of 0.8 points on June.
- The rate of increase in input costs remained at an elevated level, with the input costs sub-index in July rising by a further 1.0 point to 69.7, indicating a slightly higher pace of growth.
- Selling prices contracted at a faster rate than in June, the sub-index falling by 6.3 points to 36.1, pointing to the further compression of construction margins.



AUSTRALIAN PCI®*

	July 2011	June 2011	Monthly Change	Direction	Rate of Change	Trend ** (Months)
AUSTRALIAN PCI®	36.1	35.8	+0.3	Contracting	Slower	14
ACTIVITY	35.6	36.3	-0.7	Contracting	Faster	15
-HOUSES	28.5	34.1	-5.6	Contracting	Faster	14
-APARTMENTS	34.9	33.2	+1.2	Contracting	Slower	15
-COMMERCIAL	37.4	33.5	+3.9	Contracting	Slower	13
-ENGINEERING	38.8	39.2	-0.4	Contracting	Faster	5
NEW ORDERS	31.6	32.2	-0.6	Contracting	Faster	14
EMPLOYMENT	40.0	37.0	+3.0	Contracting	Slower	14
DELIVERIES	39.6	40.4	-0.8	Contracting	Faster	12
INPUT PRICES	69.7	68.7	+1.0	Expanding	Faster	71
SELLING PRICES	36.1	42.4	-6.3	Contracting	Faster	9
WAGES	64.8	60.0	+4.8	Expanding	Faster	28
CAPACITY	66.2	65.5	+0.7	Higher	na	na

*Results are based on a sample of over 150 companies. Forward seasonal factors were generated by the ABS in April 2011.

** Number of months moving in current direction

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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**Prepared by Markit Economics