



PCI AUSTRALIAN

PERFORMANCE OF CONSTRUCTION INDEX®

Ai AUSTRALIAN INDUSTRY GROUP

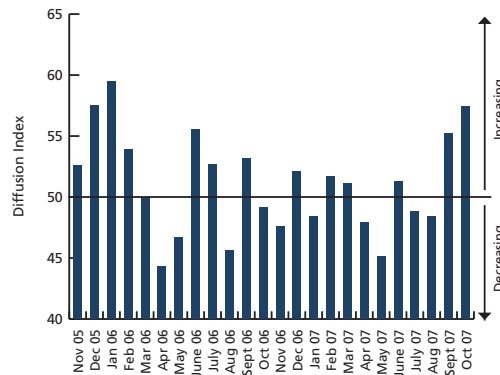


OCTOBER 2007

CONSTRUCTION INDUSTRY MAINTAINS GROWTH

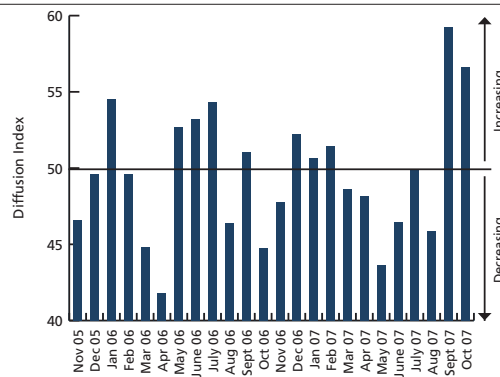
KEY FINDINGS

- The national construction industry expanded for a second consecutive month in October 2007, with an improvement in house and apartment building supporting a higher level of growth.
- The seasonally adjusted Australian Industry Group/ Housing Industry Association Performance of Construction Index (**Australian PCI®**) registered 57.4 in October, (2.2 points higher than in September) to remain above the critical 50.0 points level separating expansion from contraction.
- Whereas an easing in the uptake of new work was evident among non-residential contractors, firms engaged in house building cited the positive influence on activity of recent gains in orders in response to a pick-up in customer enquiries, improved weather conditions and price discounting.
- For the industry as a whole, both activity and new orders maintained growth in October, although at a slightly slower pace, with these rises leading to stronger growth in supplier deliveries and an upturn in employment.
- Construction material (input) costs increased at a higher rate during October, following an easing in the previous month.



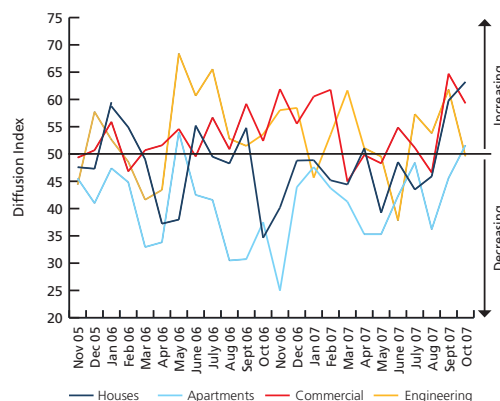
CONSTRUCTION ACTIVITY

- In seasonally adjusted terms, the activity sub-index in October registered 56.6.
- This was 2.6 points below the index reading for September, signalling an easing in the rate of increase in total construction activity during October.
- This easing reflected slower growth in commercial construction activity and a slight decline (the first since June 2007) in engineering construction activity, which offset the strengthening conditions in the house and apartment building sectors.
- The rise in the total value of activity from all construction projects (houses, apartments, commercial and engineering) during October was only the second in the past eight months.

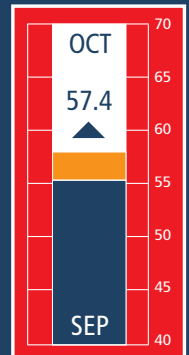


ACTIVITY BY SECTOR

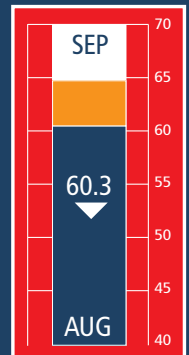
- House building activity (seasonally adjusted) increased by 3.4 points in October 2007 to 63.2, the highest rate of growth since the start of **Australian PCI®** readings in September 2005.
- While commercial construction continued to expand, the rate of growth moderated from the high base of the previous month, the sub-index falling 5.4 points to 59.3.
- The engineering construction sub-index registered 49.6 in October to signal a slight reduction in activity, after growth expanded to a 15-month high in the previous month.
- Apartment building recorded its first expansion in activity over the past 17 months with the sub-index rising by 6.0 points to 51.6, consistent with a higher inflow of new orders and stronger approvals data in September 2007.



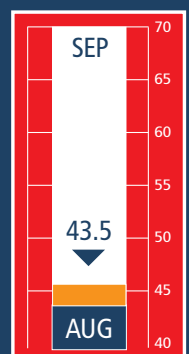
AUSTRALIAN PCI™



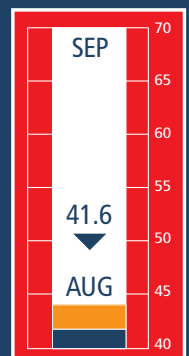
UK CONSTRUCTION INDEX*



GERMANY CONSTRUCTION INDEX*



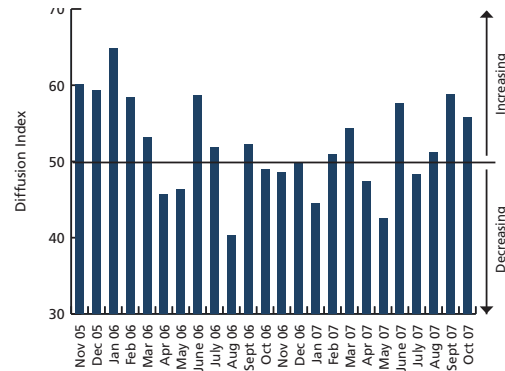
IRELAND CONSTRUCTION INDEX*





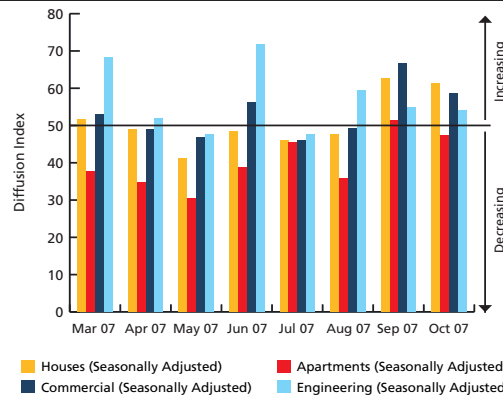
NEW ORDERS

- Growth in new orders (seasonally adjusted) moderated in October, after recording a 20-month high rate of increase in September 2007.
- The new orders index registered 55.7 in October, a decline of 3.1 points on the reading of the previous month.
- This reflected lower new orders growth across the house building, engineering and commercial sectors, and a decline in new work within the apartment sector.
- It signals the likelihood of a further easing in total construction activity growth in the coming months.



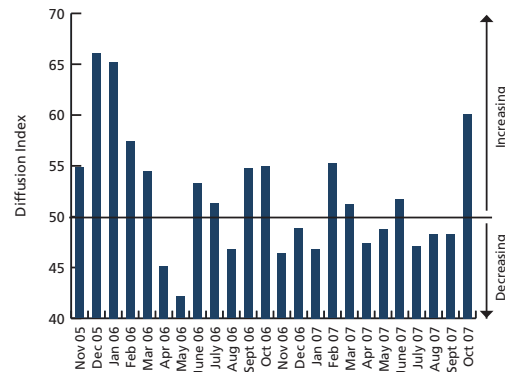
NEW ORDERS BY SECTOR

- In the house building sector, new orders were at the highest level of all sectors, with an index reading of 61.3. Although this was down 1.3 points on September 2007, it represented the second highest reading over the past 15 months.
- For commercial construction, the index stood at 58.6, to be 8.1 points below the previous month. Despite this easing, current growth in new orders is the second highest recorded since February 2007, indicative of continued strength in the investment pipeline.
- New orders in engineering construction maintained growth in October, although the rate of increase moderated slightly with the index declining by 0.8 points to 54.0.
- The apartment sector posted the only fall in new orders after the strong upturn of the previous month, the index declining by 4.0 points to 47.4.



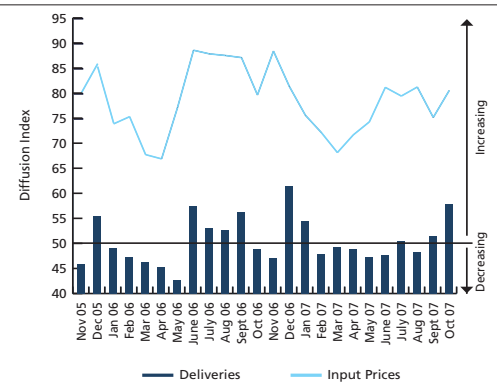
EMPLOYMENT

- The continued growth in activity was reflected in an upturn in employment in October.
- The employment sub-index in October registered 60.1, an increase of 11.8 points on the previous month, and the highest rate of growth since January 2006.
- It was also the first rise in employment since June 2007 and coincided with reports that job numbers had also been boosted following the commencement of work on more labour intensive projects.



DELIVERIES AND INPUT COSTS

- Further rises in new orders in October across three of the four sectors monitored, contributed to an increase in supplier deliveries.
- The supplier delivery index rose by 6.4 points to 57.9, the highest rate of growth since December 2006.
- Input costs rose at a higher rate in October after moderating in the previous month.
- The input cost sub-index increased from 75.3 in September to 80.7, a rise of 5.4 points to bring the rate of increase on par with average growth over the three months to August 2007.



NATIONAL INDEXES

	Oct 07	Oct 06	Sep 07	Aug 07	Jul 07	Jun 07	May 07	Apr 07	Mar 07	Feb 07	Jan 07	Dec 06	Nov 06
AUSTRALIAN PCI™	57.4	49.2	55.2	53.1	48.4	48.8	51.3	45.1	47.9	51.1	51.7	48.4	52.1
ACTIVITY	56.6	44.7	59.2	51.0	45.9	49.9	46.4	43.7	48.2	48.6	51.5	50.6	52.2
- HOUSES	63.2	34.6	59.8	54.8	45.9	43.5	48.5	39.2	51.0	44.4	45.2	48.9	48.8
- APARTMENTS	51.6	37.5	45.6	30.7	36.2	48.4	42.3	35.3	35.3	41.3	43.7	47.6	43.9
- COMMERCIAL	59.3	52.4	64.7	59.2	46.6	51.1	54.9	48.3	49.8	45.0	61.8	60.5	55.5
- ENGINEERING	49.6	53.6	61.8	51.5	53.8	57.3	37.8	49.5	51.1	61.7	53.5	45.7	58.5
NEW ORDERS	55.7	48.9	58.8	52.2	51.1	48.3	57.6	42.5	47.4	54.3	50.9	44.4	49.9
EMPLOYMENT	60.1	55.0	48.3	54.7	48.2	47.1	51.7	48.8	47.4	51.3	55.2	46.8	48.9
DELIVERIES	57.9	48.9	51.5	56.3	48.2	50.5	47.7	47.3	49.0	49.2	47.9	54.4	61.4
INPUT PRICES	80.7	79.8	75.3	87.2	81.4	79.6	81.3	74.4	71.8	68.3	72.3	75.7	81.5

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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