



PCI AUSTRALIAN

PERFORMANCE OF CONSTRUCTION INDEX™

Ai AUSTRALIAN INDUSTRY GROUP

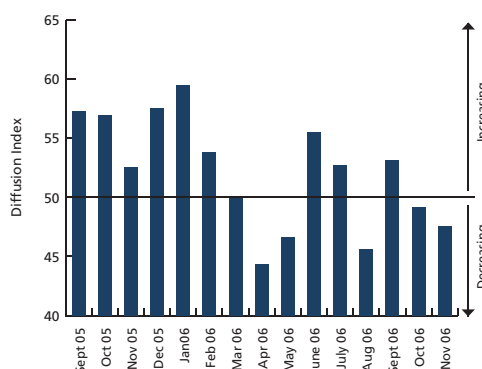


NOVEMBER 2006

WEAK INVESTOR AND CONSUMER SENTIMENT HITS CONSTRUCTION

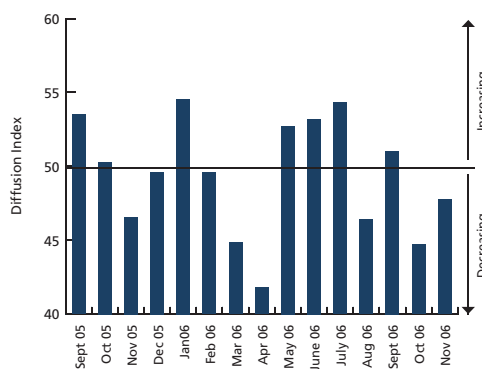
KEY FINDINGS

- National construction activity declined for a second consecutive month in November 2006, underpinned by a further contraction in the house building and apartment sectors.
- The seasonally adjusted Australian Industry Group/ Housing Industry Association Performance of Construction Index (Australian PCI™) declined by 1.6 points in November to 47.6 (below the 50.0 points level separating expansion from contraction).
- Firms mainly attributed the decline in construction business to higher interest rates, with a number of residential builders citing weak investor activity and low consumer confidence.
- Both activity and new orders declined following falls in the previous month, leading to a reduction in employment and a higher rate of decline in supplier deliveries.
- Despite the overall fall in activity, growth was maintained in engineering and commercial construction, with commercial activity rising to its highest level in the past 15 months.



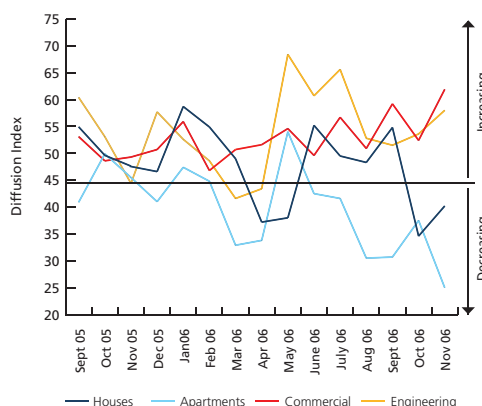
CONSTRUCTION ACTIVITY

- In seasonally adjusted terms, the activity sub-index in November registered 47.8.
- This was 3.1 points above the index reading for October, signalling a slower rate of decline in total construction activity during November.
- Underlying this result was a less marked rate of contraction in house building activity, and stronger conditions in both engineering and commercial construction.
- The decline during November in the total value of activity from all construction projects (houses, apartments, commercial and engineering) was the third in the past four months.

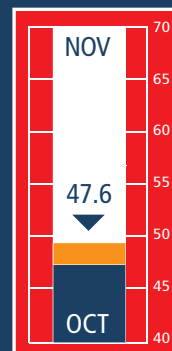


ACTIVITY BY SECTOR

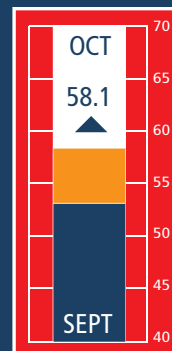
- House building activity (seasonally adjusted) continued to contract in November, although the rate of decline was less marked with the index rising by 5.6 points to 40.2.
- Commercial construction recorded the strongest growth in activity, the sub-index rising by 9.5 points in November to 61.9, with firms linking the increase to new contract wins.
- Engineering construction recorded growth for the seventh consecutive month, the sub-index rising by 4.4 points to 58.0, consistent with reports of solid mining related work.
- Apartment building activity continued to exhibit weakness, the sub-index falling by 12.5 points to 25.0, the most subdued reading since the inception of the index in September 2005.



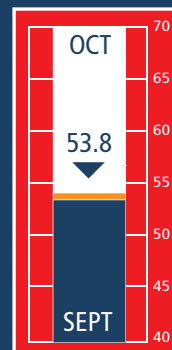
AUSTRALIAN PCI™



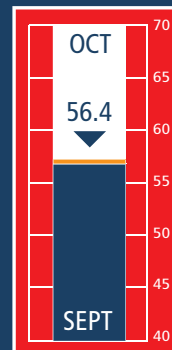
UK CONSTRUCTION INDEX*



GERMANY CONSTRUCTION INDEX*



IRELAND CONSTRUCTION INDEX*





NEW ORDERS

- New orders (seasonally adjusted) contracted for a second straight month in November, signalling further weakness in total activity over coming months.
- This was supported by reports by firms (particularly those engaged in house building), of fewer invitations to tender, low customer enquiries and a lack of buyer confidence.
- The new orders index registered 48.6 in November, down slightly (0.3 points) on the reading for October.
- It was the third contraction in new orders in the past four months, with the index reading 10.0 points lower than in June 2006.

NEW ORDERS BY SECTOR

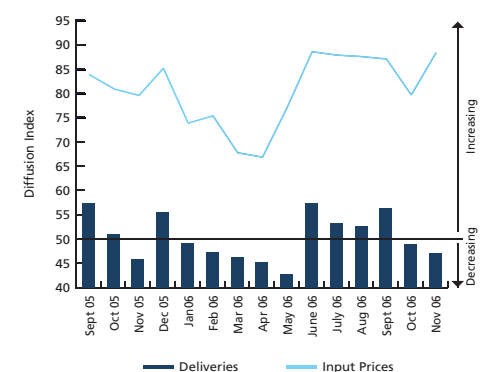
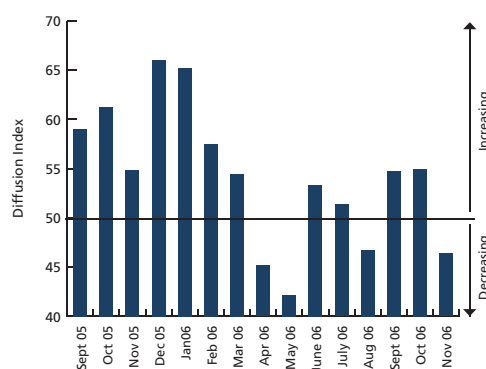
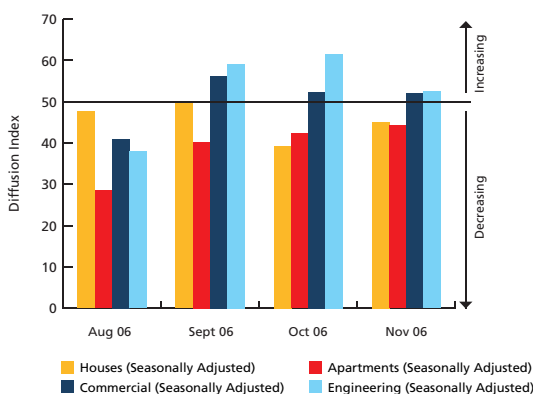
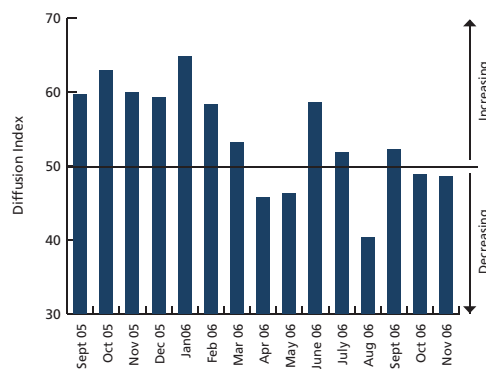
- The rate of deterioration in new orders was most marked in the apartment sector, although the index reading of 44.2 was 1.9 points higher than in October.
- New orders in the house building sector continued to decline with the index registering 45.1 in November. This was however 5.9 points above the October reading suggesting some flow-on to higher business from the recent rise in house approvals.
- For the commercial construction sector, growth was maintained at a virtually unchanged rate with the index down by 0.4 points in November to 51.9.
- New orders in engineering construction remained the highest of the four sectors. However, an easing in the rate of new work coming on stream is suggested, with the index falling 9.1 points to 52.4.

EMPLOYMENT

- Employment (seasonally adjusted) fell in November (following growth in the previous two months) with the sub-index declining by 8.6 points to 46.4, the lowest level in the past seven months.
- The reduction in employment in November follows moderate growth over the previous two months.
- Falls in employment were most prevalent among firms with the highest concentration of work in house and apartment building.
- Of significance, the current employment reading is almost 20 points (19.7) below the peak level of 66.1 recorded in December 2005.

DELIVERIES AND INPUT COSTS

- The contraction in work levels in aggregate is reflected in a decline in supplier deliveries in November. It was the second consecutive monthly fall, with deliveries declining at a higher rate than in October.
- The decline of 1.8 points in the supplier delivery sub-index to 47.1, saw deliveries at their weakest level since May 2006.
- With on-going constraints on labour and material supplies, construction costs rose at a higher rate in November, the sub-index increasing to 88.5 from 79.8, a rise of 8.7 points.
- In total, 71% of firms (up from 57% in October) reported increases in costs during the month.



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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NATIONAL INDEXES

	Nov 06	Nov 05	Oct 06	Sept 06	Aug 06	July 06	Jun 06	May 06	Apr 06	Mar 06	Feb 06	Jan 06	Dec 05
AUSTRALIAN PCI™	47.6	52.6	49.2	53.1	45.6	52.7	55.5	46.7	44.3	50.0	53.9	59.5	57.5
ACTIVITY	47.8	46.6	44.7	51.0	46.4	54.3	53.2	52.7	41.8	44.9	49.6	54.6	49.6
– HOUSES	40.2	46.9	34.6	54.8	48.3	49.5	55.2	38.0	37.2	49.0	54.9	58.7	46.6
– APARTMENTS	25.0	45.5	37.5	30.7	30.5	41.6	42.5	54.0	33.8	32.9	44.8	47.4	41.0
– COMMERCIAL	61.9	49.3	52.4	59.2	50.9	56.7	49.6	54.6	51.6	50.7	46.8	55.9	50.7
– ENGINEERING	58.0	44.4	53.6	51.5	52.8	65.6	60.7	68.4	43.4	41.6	48.6	52.6	57.7
NEW ORDERS	48.6	60.1	48.9	52.2	40.3	51.9	58.6	46.3	45.7	53.2	58.4	64.9	59.3
EMPLOYMENT	46.4	54.9	55.0	54.7	46.8	51.4	53.3	42.2	45.2	54.5	57.5	65.2	66.1
DELIVERIES	47.1	45.9	48.9	56.3	52.6	53.2	57.4	42.7	45.3	46.3	47.3	49.1	55.5
INPUT PRICES	88.5	79.6	79.8	87.2	87.7	88.0	88.7	77.3	67.0	67.9	75.5	74.0	85.3

Results are based on a sample of 100 companies.

* Seasonal adjusted results are based on factors derived from NTC Economics construction indexes, adjusted for Australian conditions.

