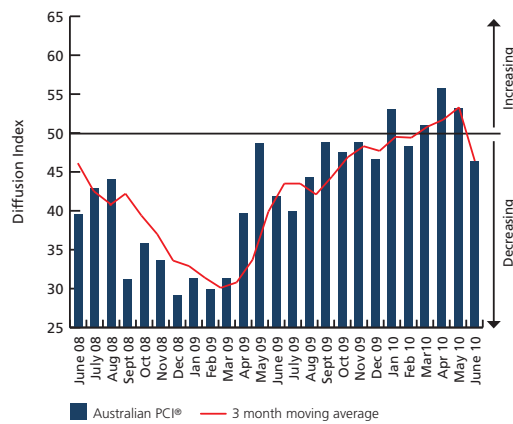




CONSTRUCTION DECLINES AS DEMAND WEAKENS

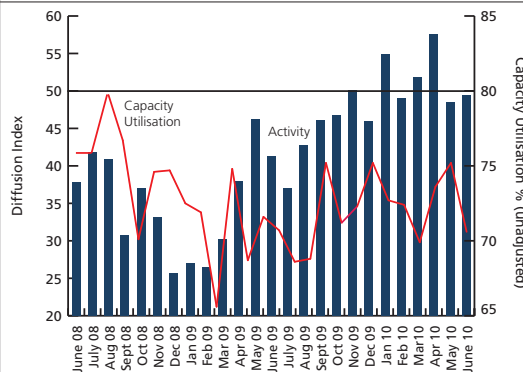
KEY FINDINGS

- The national construction industry declined in June following three consecutive months of growth. This weaker result was driven by a reduction in new orders and activity and consequential falls in employment and deliveries from suppliers.
- The seasonally adjusted Australian Industry Group/ Housing Industry Association Performance of Construction Index (**Australian PCI®**) fell by 6.8 points to 46.4 in June, placing it below the critical 50 points level separating expansion from contraction.
- There were mixed performances by the major industry sectors with house building falling for the first time in 10 months amid weaker demand conditions, and activity in the apartment building sector registering a second consecutive month of decline. In contrast, work on engineering construction projects expanded after the marked fall of the previous month, while commercial construction activity exhibited continued growth, albeit at a subdued rate.
- Reports from survey respondents indicated that tight credit conditions, uncertainty surrounding the economic outlook and subdued client demand had largely contributed to the decline in activity and new orders in June. For companies engaged in house building, higher interest rates and weaker demand from first home buyers were seen as the principal causes of reduced work levels.
- On an aggregate industry basis, the activity sub-index declined for a second straight month in June (although at a slightly slower rate than the previous month), while reduced incoming new business across most sectors saw the new orders sub-index fall to its lowest level in seven months.



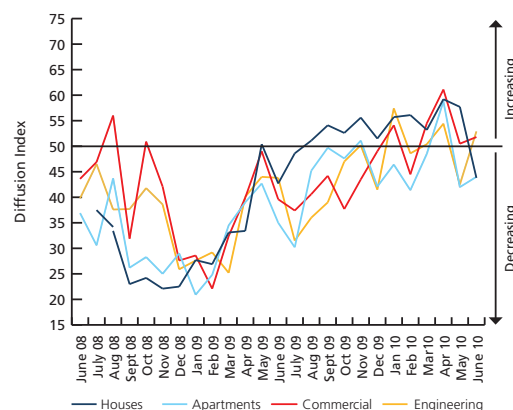
CONSTRUCTION ACTIVITY AND CAPACITY

- In seasonally adjusted terms, the activity sub-index registered 49.4 in June.
- This was 0.9 points above the index reading in May, to signal a slightly slower rate of decline in total construction activity during the month.
- Underlying June's result was a reduction in both house building and apartment building activity which outweighed the growth registered in the engineering and commercial construction sectors.
- Consistent with the overall decline in industry workloads, the average rate of capacity utilisation registered 70.6% in June, down by 4.6 percentage points on May.

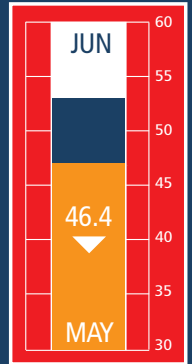


ACTIVITY BY SECTOR

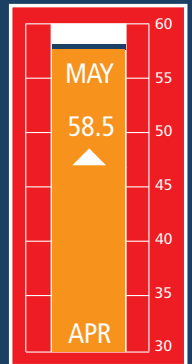
- House building contracted in June following 10 consecutive months of growth, with the sub-index registering 43.8. This was 13.9 points below the level of the previous month, and the lowest reading since June 2009.
- The apartment building sector contracted for a second straight month, although the rate of contraction moderated as indicated by a rise in the sub-index of 2.0 points to 44.0.
- Engineering construction activity expanded to recover much of the reduction in work levels of the previous month with the sub-index rising by 10.4 points to 52.9.
- Commercial construction expanded for a fourth consecutive month, although the pace of growth remained subdued with a sub-index reading of 51.8, an increase of 1.3 points on May. Firms noted that public sector building activity continued to represent the main source of growth.



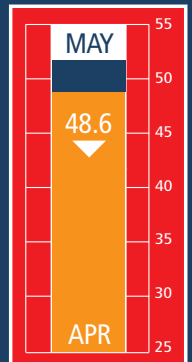
AUSTRALIAN PCI®



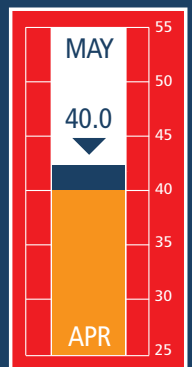
UK CONSTRUCTION INDEX*



GERMANY CONSTRUCTION INDEX*



IRELAND CONSTRUCTION INDEX*



NEW ORDERS

- New orders (seasonally adjusted) declined in June for a second consecutive month.
- The new orders index registered 45.7, a decrease of 7.0 points on May to signal the weakest level of incoming new business since December 2009.
- This result reflected decreases in new orders received by house building, apartment and engineering construction firms.
- 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

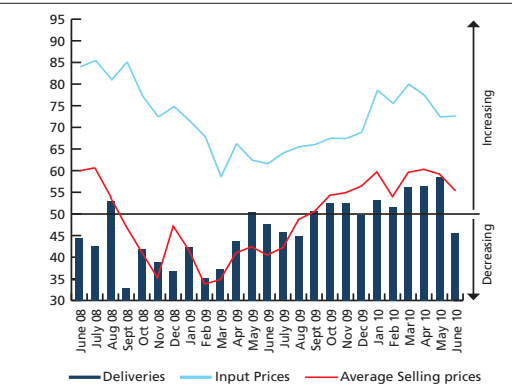
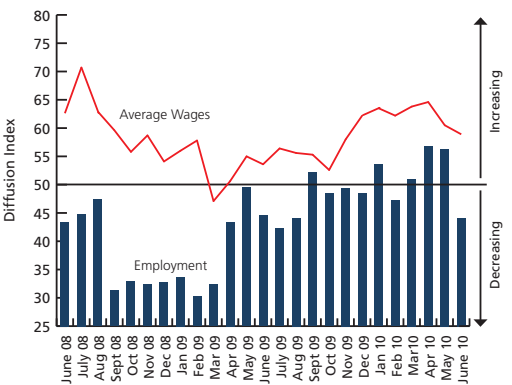
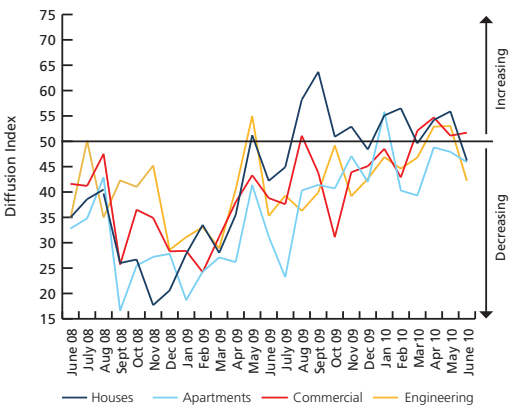
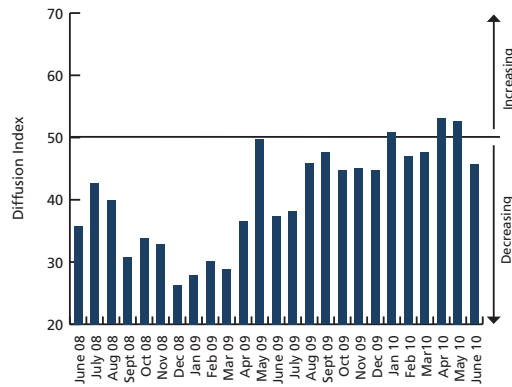
- New orders in house building declined following growth during the previous two months, with the sub-index registering 46.2. This was 9.7 points below the reading for May, and reflected the reduction of stimulus and higher interest rates in dampening demand.
- In the engineering construction sector, new orders also declined in June as indicated by the sub-index falling by 10.8 points to 42.2, the most subdued reading since November 2009.
- For the commercial construction sector, new orders posted growth for a fourth consecutive month, albeit at a subdued rate, with the sub-index rising by 0.6 points to 51.7. Respondents continued to point to the positive impact on demand from public sector building projects.
- New orders in the apartment sector continued to decline, and at a higher rate, with the index registering 45.9, a decrease of 2.0 points on the previous month.

EMPLOYMENT AND WAGES

- The declines in activity and new orders contributed to a fall in employment.
- The employment sub-index registered 44.1 in June, down by 12.2 points on the level of the previous month.
- The reading for June followed three consecutive months of rises in workforce levels and was the lowest reading since the sub-index fell to the same level in August 2009.
- Growth in wages was reported at a slower rate, the index registering 58.9, a decrease of 1.6 points on the previous month.

DELIVERIES, INPUT COSTS AND SELLING PRICES

- Reflecting weaker demand conditions, deliveries of inputs from suppliers declined in June.
- The supplier delivery index registered 45.5, a decrease of 13.0 points on the previous month.
- The rate of growth in input costs was broadly unchanged on the previous month, with the input costs sub-index in June rising slightly by 0.2 points to 72.8.
- Selling price growth moderated with the sub-index registering 55.4, a decrease of 3.8 points on May.



AUSTRALIAN PCI®*

	June 2010	May 2010	Monthly Change	Direction	Rate of Change	Trend ** (Months)
AUSTRALIAN PCI®	46.4	53.2	-6.8	Declining	From Expansion	1
ACTIVITY	49.4	48.5	+0.9	Declining	Slower	2
- HOUSES	43.8	57.7	-13.9	Declining	From Expansion	1
- APARTMENTS	44.0	42.0	+2.0	Declining	Slower	2
- COMMERCIAL	51.8	50.5	+1.3	Expanding	Faster	4
- ENGINEERING	52.9	42.5	+10.4	Expanding	From Decline	1
NEW ORDERS	45.7	52.7	-7.0	Declining	From Expansion	1
EMPLOYMENT	44.1	56.3	-12.2	Declining	From Expansion	1
DELIVERIES	45.5	58.5	-13.0	Declining	From Expansion	1
INPUT PRICES	72.8	72.6	+0.2	Expanding	Faster	58
SELLING PRICES	55.4	59.2	-3.8	Expanding	Slower	10
WAGES	58.9	60.5	-1.6	Expanding	Slower	15
CAPACITY	70.6	75.2	-4.6 % points	Expanding	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

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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