AUSTRALIAN INDUSTRY GROUP

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Australian PCI®: Construction continues to languish

The national construction sector has now been in the red for almost two straight years with the latest Australian Industry Group **Australian Performance of Construction Index** (**Australian PCI®**) in conjunction with the Housing Industry Association, up just 0.6 points to 36.2 in March (readings below 50 indicate a contraction in activity with the distance from 50 indicative of the strength of the decrease).

Poor demand and subdued conditions, particularly in the residential and commercial construction sub-sectors, continued in the month with house building falling to its lowest level in six months. Reduced workloads saw employment levels remain in negative territory and the new orders sub-index has now been contracting for 22 months.

Australian Industry Group Director Public Policy, Peter Burn, said: "Large parts of the national construction industry remained stuck in the doldrums. Very weak conditions continue in the house and apartment building and commercial construction sectors and this is flowing on to a cross-section of service and manufacturing businesses. Engineering construction also softened during March but from a much more robust base than the rest of the industry. The further fall in new orders points to a continuation of flat conditions over the coming months," Dr Burn said.

Housing Industry Association Chief Economist, Harley Dale, said: "There is an unequivocal deterioration underway in the non-resource domestic economy in 2012. As a bell-weather industry, residential construction is clearly highlighting this fact with the rate of decline in the detached house and apartment sub-indices of the **Australian PCI®** accelerating in March. Furthermore, new orders for house building fell in March to their lowest level in six months. It was time to act some time ago, but nothing has happened. A 50 basis point cut in interest rates is required in May, while Federal and state governments need to get on with the job of boosting new housing supply," Dr Dale said.

Australian PCI® Key Findings for March:

- The latest Australian Industry Group **Australian Performance of Construction Index** (**Australian PCI®**) in conjunction with the Housing Industry Association, was broadly unchanged in March - up just 0.6 points to 36.2 (readings below 50 indicate a contraction in activity with the distance from 50 indicative of the strength of the decrease).
- March marks the 22nd consecutive month that the national construction sector has been in negative territory.
- Subdued demand, tight credit conditions, strong competition for available work and a lack of new projects hampered growth in March.
- Weakness was particularly pronounced in the house building (30.3), apartments (30.5) and commercial construction (35.5) sub-sectors.
- Engineering construction was 41.2 in the month.
- The new orders sub-index was again in the red – down 1.0 points to 33.2.
- Employment levels continued to fall in line with decreasing workloads, the sub-index registered 39.4 in March.

Further Comment:
Peter Burn, Ai Group: 0427 666 579
Harley Dale, HIA: 0414 994 186
Media enquiries:
Tony Melville - Ai Group: (02) 6233 0700 or 0419 190 347

Background: The Australian Industry Group Australian 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 that 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. Results are based on responses from over 150 companies.

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