

## CONSTRUCTION MAINTAINS GROWTH IN APRIL

**Australian PCI®**  
Apr 2017: **51.9**↑

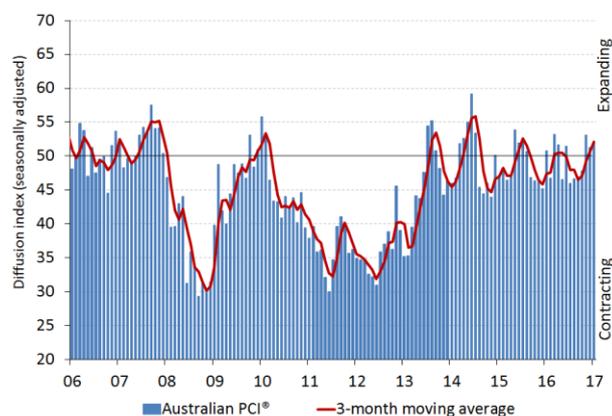
**UK PCI**  
Mar 2017: **52.2**↓

**Germany PCI**  
Mar 2017: **56.4**↑

**Ireland PCI**  
Mar 2017: **60.8**↑

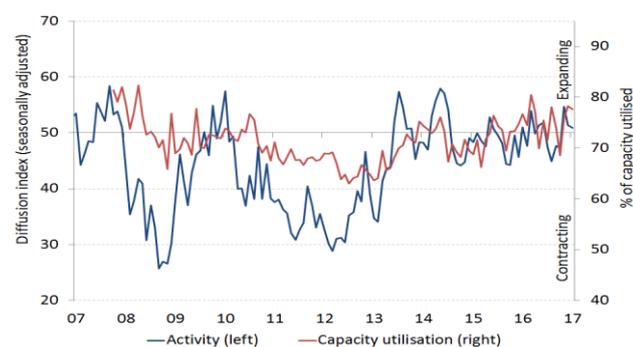
### KEY FINDINGS

- The national construction industry continued to expand in April, with the Australian Industry Group/Housing Industry Association Australian Performance of Construction Index (**Australian PCI®**) increasing by 0.7 points to 51.9 points (readings above 50 points indicate expansion). This signalled industry-wide growth for a third consecutive month and at a slightly faster pace than in March.
- Australian PCI®** data for April revealed a welcome improvement in the new orders sub-index which returned to growth (i.e. above 50 points) after falling to a five-month low in March. In addition, deliveries from suppliers lifted solidly, to register their strongest rate of increase in 2½ years.
- The activity sub-index also remained in expansion for a third consecutive month in April, although the rate of increase was slightly slower than in March.
- Across the four construction sub-sectors in the **Australian PCI®** apartment building recorded a strong resurgence in April with activity increasing for the first time in eight months.
- House building expanded for a fourth month, albeit at a pace that was significantly slower than the solid expansions recorded in February and March.
- Commercial construction remained subdued, contracting at the steepest rate in six months. However, engineering construction expanded for the second time in three months, on the back of higher levels of non-mining infrastructure work.
- Respondents to the **Australian PCI®** were generally positive in their assessment of business conditions in April. Some apartment builders commented that activity levels had improved in April in line with the start of new multi-unit developments. House builders continued to point to a high degree of support from on-going projects, although there were reports of a softening in new orders and reduction in customer enquiries about house constructions in April.
- The rise in engineering construction was attributed to the roll-out of various big-ticket infrastructure projects, particularly transport projects in the eastern states.



### CONSTRUCTION ACTIVITY AND CAPACITY

- The activity sub-index in the **Australian PCI®** registered 50.9 points in April.
- This was 0.4 points below the level of the previous month, signalling a slower rate of expansion in total industry activity in April.
- A softening in house building activity and a steeper drop in commercial construction work led to a moderation in overall levels of construction in April. This is despite renewed strength in apartment building and engineering construction activity during the month.
- The rate of capacity utilisation stood at 77.7% across the construction industry, down from 78.2% in March.



### ACTIVITY BY SECTOR

- House building activity continued to expand in line with the continued growth seen in new orders. However, the sector's rate of expansion moderated from the nine-month high level of March with the activity sub-index falling by 8.3 points to 53.0 points in April.
- Apartment building activity returned to expansion in April. The sector's sub-index increased by 11.7 points to 55.3 points, following declines in activity over the previous seven months.
- Engineering construction activity also lifted into positive territory in April. The sector's sub-index increased by 7.1 points to 55.6 points. This was in line with reports of higher infrastructure activity in the month which helped to soften the impact of the continued winding back in mining and heavy industrial investment.
- Commercial construction activity, however, continued to weaken in April. The sector's sub-index declined by 5.6 points to 43.2 points, the steepest rate of contraction in six months. The sector, which covers project categories such as industrial, hotel, offices and retail building, is continuing to experience patchy and generally soft conditions.



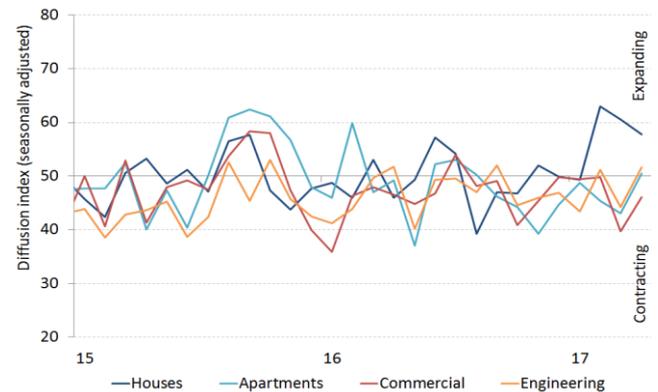
## NEW ORDERS AND DELIVERIES

- New orders returned to growth in April, with the new orders sub-index in the **Australian PCI®** registering 51.9 points.
- This was an increase of 4.4 points from March and the highest new orders result in 10 months. This firming in new orders points to a positive outlook for overall industry activity in coming months.
- Across sectors of the **Australian PCI®** new orders returned to growth in the apartment building and engineering construction sectors while the rate of decline moderated in the commercial construction sector. Although lower than March's result, new orders for house builders remained relatively solid in April.
- In line with the improvement in aggregate industry demand, deliveries of inputs from suppliers recorded stronger growth in the **Australian PCI®**. The supplier delivery index increased by 6.0 points in April to 58.0 points, signalling the highest rate of growth since October 2014.



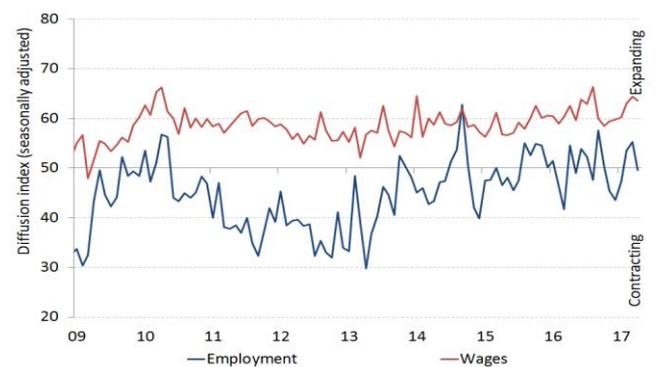
## NEW ORDERS BY SECTOR

- New orders in the house building sector expanded for a third consecutive month in April, although at a slower rate. The sub-index decreased by 2.8 points to 57.8 points. Nevertheless, it was the sector's third highest rate of growth in new orders in 30 months.
- In the apartment building sector, new orders recorded solid improvement with the sector's sub-index rising by 7.4 points to 50.5 points in April. This indicates marginally positive demand conditions in the sector following declines in new orders over the previous seven months.
- In the engineering construction sector, new orders also returned to positive territory in April. The sector's sub-index registered 51.6 points, up by 7.4 points on March as new tender wins in non-resources project categories including transport and other public sector infrastructure outweighed the sustained fall in mining-related construction.
- New orders in the commercial construction sector contracted for a ninth consecutive month in April. However, the rate of decline was slower following a sharp deterioration in March. The sector's sub-index increased by 6.3 points to 46.1 points. The on-going decline in new orders for the sector is consistent with recent soft trends in the value of non-residential building approvals.



## EMPLOYMENT AND WAGES

- Construction employment declined in April with the employment sub-index within the **Australian PCI®** dropping by 5.6 points to 49.6 points, indicating marginal contraction in the month.
- However, this follows two consecutive months of growth, which suggests a net overall gain in employment over the past three months. This is reflected in the three-month moving average for employment which stood at 16-month high of 52.8 points in April.
- Growth in wages continued in April, although at a slightly slower rate than in March, with the wages sub-index decreasing by 0.8 points to 63.6 points. Despite this easing, it was the second fastest rate of expansion in construction wages since August 2016.
- This still relatively strong pace of wages growth is a likely reflection of wage increases still flowing from existing EBA's as well as difficulties that still exist in filling various skilled vacancies.



## INPUT COSTS AND SELLING PRICES

- Input price inflation in the **Australian PCI®** remained elevated in April, with the input prices sub-index rising by 1.5 points to 76.0 points, the second-highest rate of growth in the past 25 months. The continuation of strong cost pressures for construction businesses is being driven by escalating energy input costs and supplier price hikes related to higher commodity prices.
- The selling prices sub-index in the **Australian PCI®** increased by 2.9 points to 58.5 points in April. This growth result suggests that the pressure on input prices from rises in wages and other input costs are being passed on (although not broadly), despite strong market competition.
- The on-going gap between these price series in the **Australian PCI®** indicates that profit margins remain under pressure for businesses in the construction industry. This is reflected also in the continued reports from respondents of a highly competitive tender pricing environment across the industry.



	Index this month	Change from last month	12 month average		Index this month	Change from last month	12 month average
<b>Australian PCI®</b>	<b>51.9</b>	<b>0.7</b>	<b>49.4</b>	New Orders	51.9	4.4	48.4
Activity	50.9	-0.4	49.9	Employment	49.6	-5.6	50.4
Houses	53.0	-8.3	52.5	Deliveries	58.0	6.0	48.8
Apartments	55.3	11.7	47.8	Input Prices	76.0	1.5	75.1
Commercial	43.2	-5.6	48.5	Selling Prices	58.5	2.9	52.5
Engineering	55.6	7.1	49.3	Wages	63.6	-0.8	61.8
				Capacity Utilisation (%)	77.7	-0.5	75.1

**What is the Australian PCI®?** 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. For further economic analysis and information from the Australian Industry Group, visit <http://www.aigroup.com.au/economics>.

For further information on international PCI data, visit <http://www.markiteconomics.com> or <http://www.cipsa.com.au>.

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