

Australian PCI[®] hits a record high in March 2021

The Australian Industry Group and HIA Australian Performance of Construction Index (**Australian PCI[®]**) rose by 4.4 points to 61.8 points in March 2021 (seasonally adjusted). This was the strongest monthly result in the history of this data series (commencing in 2005). Results above 50 points indicate expansion in the month, with higher results indicating a stronger pace of expansion.

All four components of activity in the **Australian PCI[®]** expanded strongly in March 2021 (results well above 50 points, seasonally adjusted), even though the activity index moderated by 3.7 points to 57.7 points. The indexes for new orders, employment and supplier deliveries all hit record highs, as house builders nationwide scrambled to commence residential projects as soon as possible in order to meet the final HomeBuilder deadline. Capacity utilisation surged up to 81.3% in March, towards its recent high in December. Residential builders continued to report high levels of customer inquiries, orders and requests to 'commence as soon as possible' through March. Conditions were positive but slower in apartment building, commercial building and engineering construction.

Concerns about supply chain delays and high pricing for imported inputs (and high freight costs) are apparent across all four segments of construction in 2021. Supply constraints plus strong customer demand saw both the input and selling price indexes in the **Australian PCI[®]** hit record highs in March (highest since these two data series commenced in 2005 and 2008, respectively). The average wages index surged to its highest monthly result since 2008.

March 2021

MEDIA CONTACTS

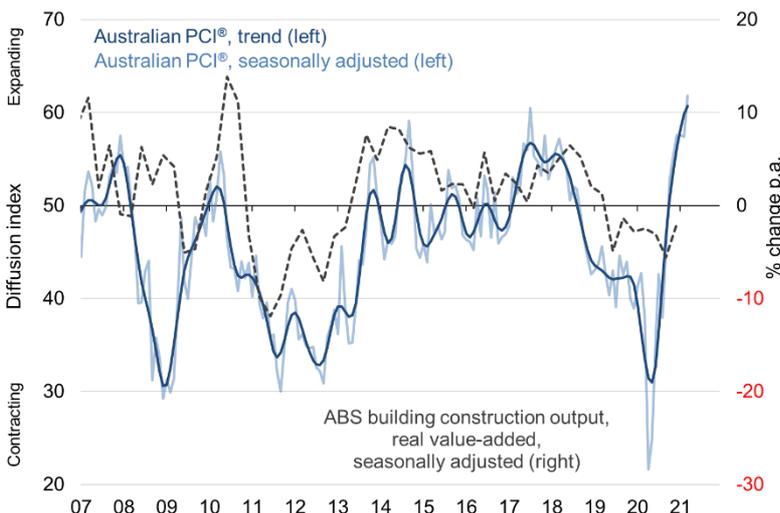
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Australian PCI[®] ▲ +4.4 points (seasonally adjusted)	61.8
Australian PCI[®] ▲ +0.9 points (trend)	60.7
Activity ▼ -3.7 points (seas. adj.)	57.7
Employment ▲ +1.4 points (seas. adj.)	63.1
New orders ▲ +14.6 points (seas. adj.)	64.7
Housing activity ▲ +0.1 points (trend)	70.2
Apartments activity ▲ +0.8 points (trend)	53.4
Commercial activity ▼ -1.0 points (trend)	56.2
Engineering activity ▲ +1.7 points (trend)	59.1

Australian PCI[®] and ABS building industry output



Construction sectors: Current activity in housing and engineering construction was especially strong in March, but activity slowed in apartments and commercial construction in seasonally adjusted terms. Activity across all four segments of construction remained strongly expansionary in trend terms due to unusually high levels of activity reported over summer.

Construction prices: Both the input and selling price indexes in the **Australian PCI®** hit record highs in March 2021 (highest since these two data series commenced in 2005 and 2008, respectively). This reflected a combination of supply delays and constraints, rising prices for imports and freight, as well as strong customer demand in the residential sector.

Construction wages and employment: The employment index in the **Australian PCI®** hit a record high in March 2021. Residential builders said they are increasing work hours and staff numbers, but the short-term nature of the current surge means some seem wary of longer-term commitments. The wages index surged to its highest monthly result since 2008.

Construction activity: The **Australian PCI®** activity index fell by 3.7 points to 57.7 points in March from a record high of 61.4 points in February. Activity contracted in apartment and commercial building (seasonally adjusted, results under 50 points) but remained strong in house building and engineering construction (seasonally adjusted, results above 60 points).

Construction new orders: Looking ahead, the new orders index in the **Australian PCI®** hit a record high in March. House builders nationwide scrambled to commence contracts as soon as possible in order to meet the final HomeBuilder deadline on 31 March 2021. New orders were also up strongly in commercial building and engineering construction but flat (50 points) for apartments. New orders for houses are expected to ease from April with the end of the HomeBuilder scheme.

Construction supplier deliveries: The supplier deliveries index hit a record high in March as builders race to meet high demand. There may also be an element of catch-up, as deliveries delayed by state border closures in 2020 start to arrive.

Construction capacity utilisation surged up towards its recent high at 81.3% in March. It hit a record high in December.

Construction highlights: Residential builders continued to report high levels of customer inquiries, orders and requests to 'commence as soon as possible' through March. They noted considerable support to current demand from low interest rates, the HomeBuilder grant, pent-up demand, cashed-up householders, the re-entry of residential investors and the newfound popularity of regional and suburban locations. Engineering construction projects are also picking up pace again in 2021, with reports of rising demand from government, mining and agricultural clients.

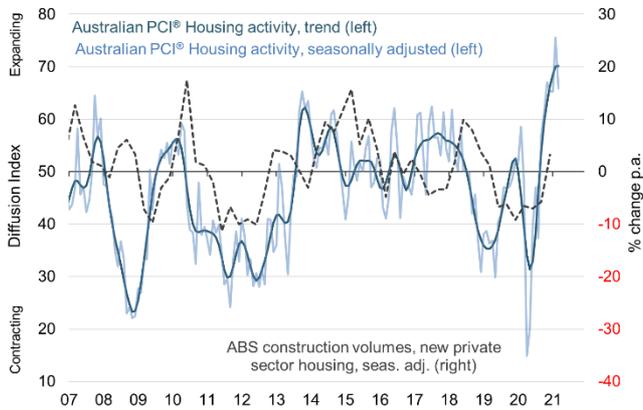
Construction concerns: Builders across all sectors continue to report concerns about supplier delays and high pricing for imported components and materials, plus high freight costs. House builders are wary of a demand slump after HomeBuilder but are hopeful that other factors (e.g. low interest rates, household confidence and savings) will help to support demand.

AUSTRALIAN PCI® SEASONALLY ADJUSTED	Index Mar 2021	Change from Feb 2021	12-month average	AUSTRALIAN PCI® TREND	Index Mar 2021	Change from Feb 2021	12-month average
Australian PCI®	61.8	4.4	45.9	Australian PCI®	60.7	0.9	45.9
Activity	57.7	-3.7	44.3	House building activity	70.2	0.1	51.3
Employment	63.1	1.4	48.3	Apartment building activity	53.4	0.8	39.3
New Orders	64.7	14.6	44.6	Commercial building activity	56.2	-1.0	41.3
Supplier Deliveries	62.1	5.2	47.6	Engineering construction	59.1	1.7	41.8
Input Prices	92.9	12.7	72.2	Capacity utilisation			
Selling Prices	71.8	5.5	47.9	<i>Seasonally adjusted</i>			
Average Wages	71.8	7.4	55.7	% of total capacity being utilised	81.3	3.6	74.9
CONSTRUCTION REPORT CARD: ABS data, seasonally adjusted				Level	Change	Change	Share of total
Construction work done , \$bn per quarter, Dec 2020				\$bn	% q/q	% y/y	% of construction activity
Volume of residential building				17.9	2.7	-0.7	34.9%
Volume of non-residential building				11.5	-2.4	-4.5	22.5%
Volume of engineering construction				21.8	-2.8	-0.3	42.6%
Construction output , real value-added, \$bn per quarter, Dec 2020				33.1	0.3	-5.2	7.0% of total GDP
Construction employment , million people employed, Feb 2021				1,154	-2.3	-2.5	9.2% of employed people
Building approvals , \$bn per month, Feb 2021				\$bn	% m/m	% y/y	% of building approvals
Value of residential building approvals				7.1	21.0	21.6	63.5%
Value of non-residential building approvals				4.1	27.5	-7.9	36.5%

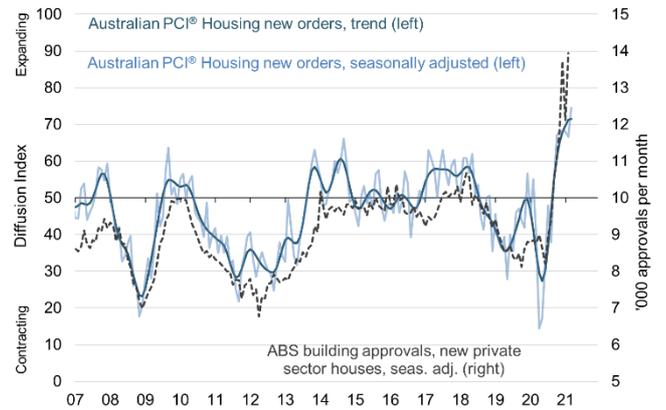
ABS data sources: *National Accounts; Labour Force Quarterly Detail; Building Approvals; Construction Work Done.*

For more detail about the Ai Group Australian PCI® visit: <https://www.aigroup.com.au/resourcecentre/economics/>

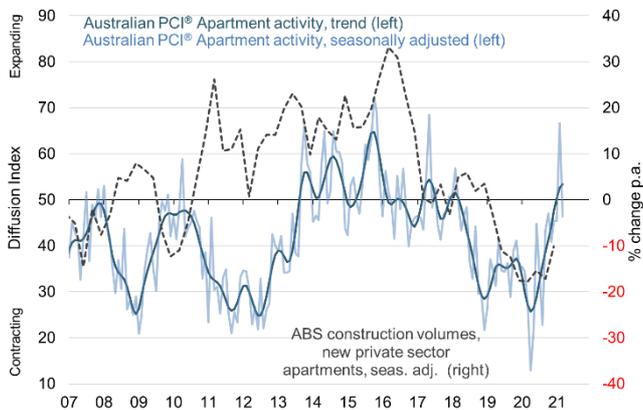
House building activity



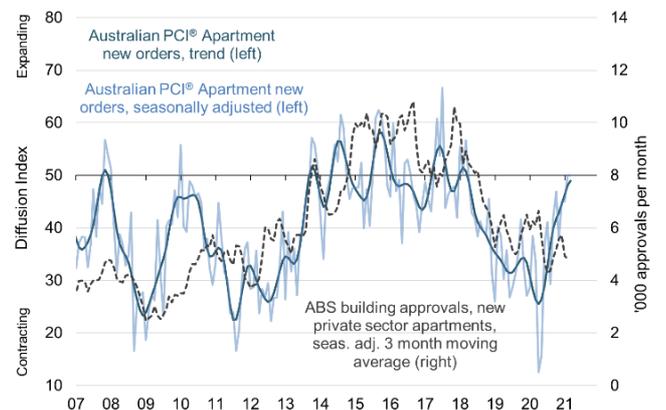
House building new orders



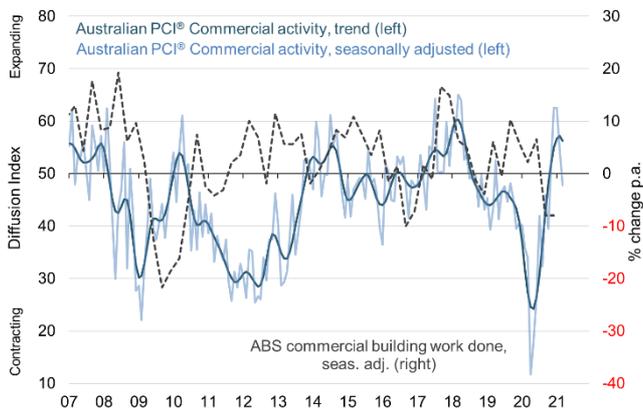
Apartment building activity



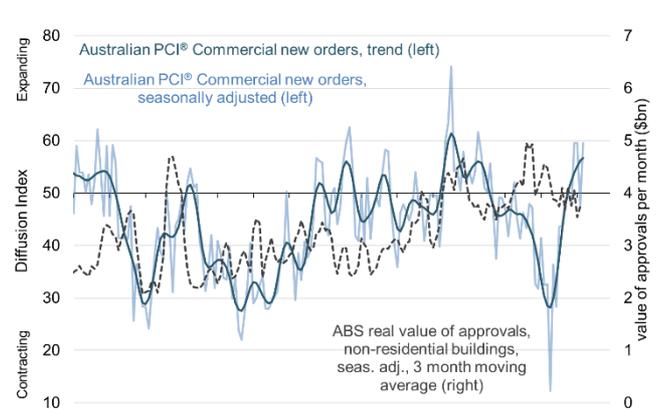
Apartment building new orders



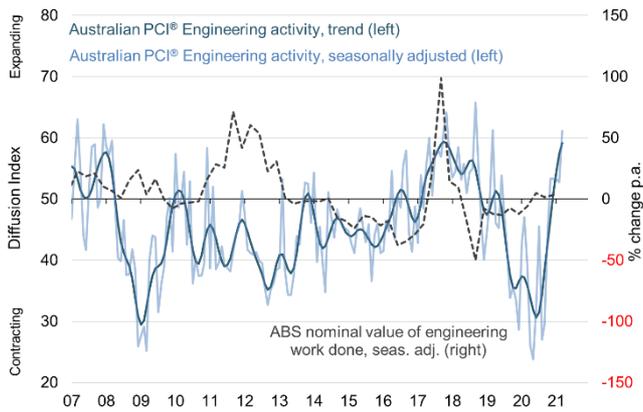
Commercial construction activity



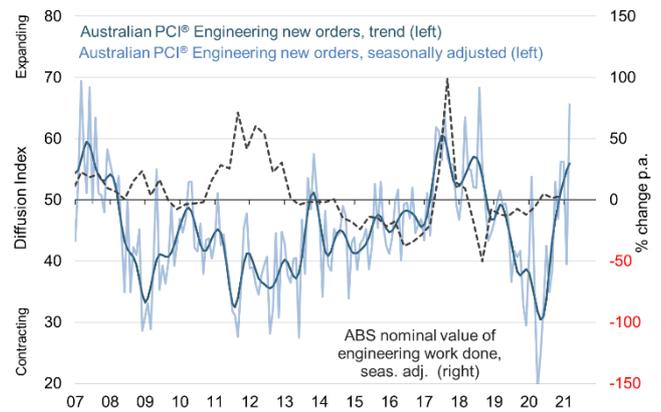
Commercial construction new orders



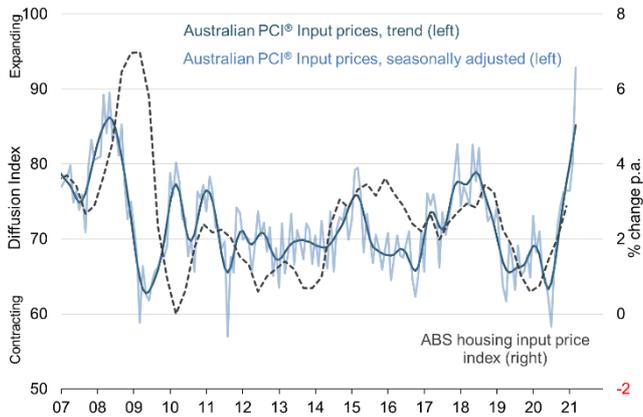
Engineering activity



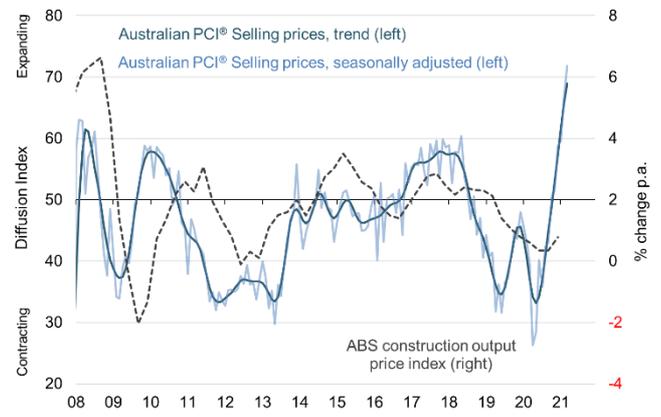
Engineering new orders



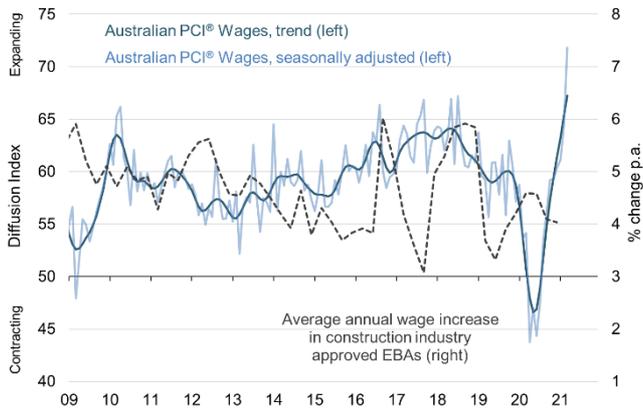
Input prices



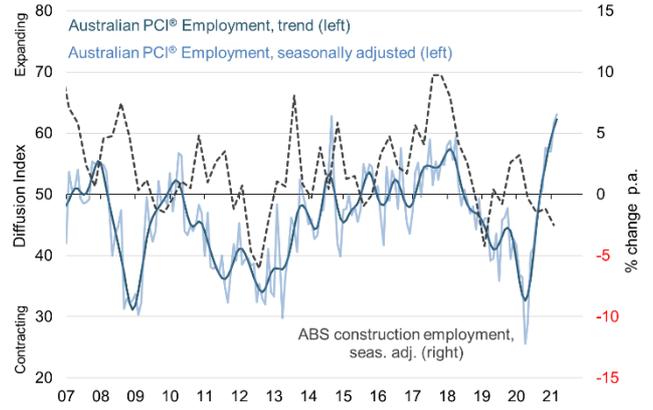
Selling prices



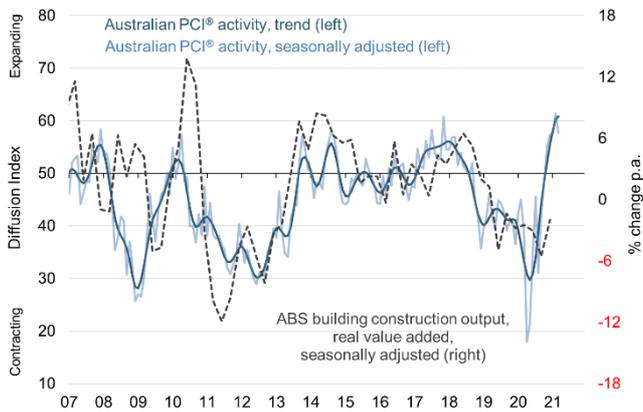
Average wages



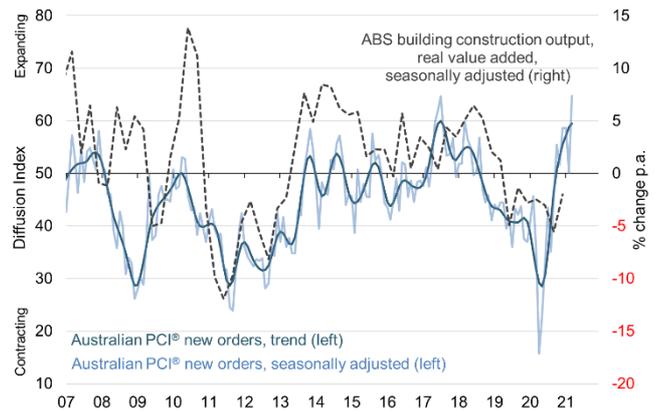
Employment



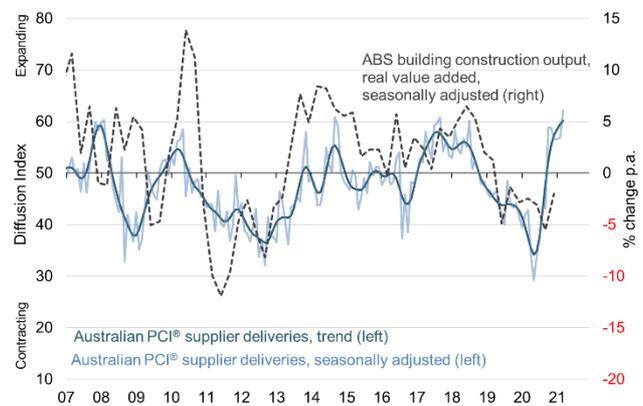
Activity



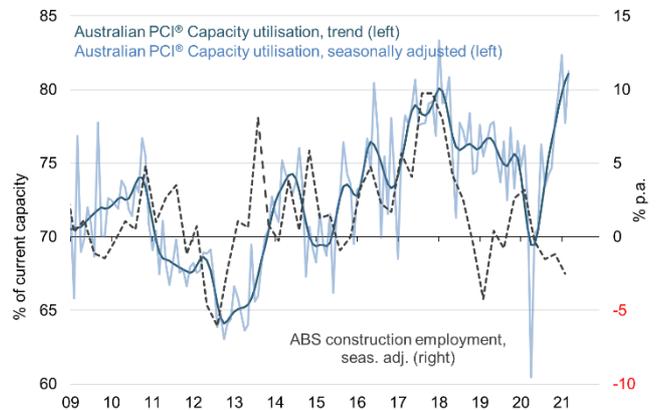
New orders



Supplier deliveries



Capacity utilisation



Australian PCI® data definitions

The Australian PCI classifies each business according to their single main activity, using the industry data codes and definitions set out in the ANZSIC 2006. These classifications are comparable with all ABS data that use these same codes.

In the Australian PCI, the definitions of the four sectors are:

1. **House building** (ANZSIC code 3011 “House construction”) includes the construction, repair and renovation of houses (a detached dwelling predominantly used for long term purposes and consisting of one dwelling unit), organising or managing construction as the prime contractor.
2. **Apartment building** (ANZSIC code 3019 “Other residential building construction”) includes the construction of residential buildings other than a house primarily used for long-term residential purposes, such as blocks of flats, home units, attached townhouses, semi-detached houses, maisonettes, duplexes, apartment buildings etc.
3. **Commercial construction** (ANZSIC code 3020 “Non-residential building construction”) includes the construction of offices, industrial premises, hotels, hospitals, aged care facilities, education buildings, entertainment and recreation developments, and in carrying out alterations, additions, renovation, and in organising or managing these types of non-residential buildings.
4. **Engineering construction** (ANZSIC code 3101 “Road and bridge construction” and ANZSIC code 3109 “other heavy and civil engineering construction”) includes the construction of transport infrastructure projects, telecommunications facilities, bridges, water and gas supply systems, pipelines, sports complexes, heavy industry constructions and other large-scale construction projects that do not generally involve the construction of buildings.



What is the Australian PCI®?

The Australian Industry Group Australian Performance of Construction Index (Australian PCI®) is a national composite index based on the diffusion of indices for activity, new orders, deliveries and employment with varying weights. An Australian PCI® result above 50 points indicates that construction is generally expanding; below 50, that it is declining. The distance from 50 indicates the strength of the expansion or decline. Australian PCI® results are based on responses from a national sample of construction businesses that includes all states and all sectors. The Australian PCI® uses the ANZSIC industry classifications for construction sectors. Sector weights are derived from ABS industry output data. Seasonal adjustment and trend calculations follow ABS methodology.

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