

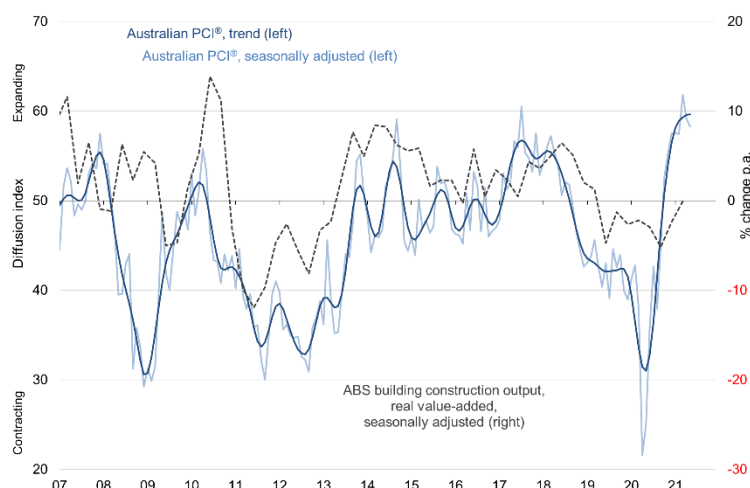
# Australian PCI® shows strong construction activity in May 2021

The Australian Industry Group and HIA Australian Performance of Construction Index (**Australian PCI®**) fell by 0.8 points to 58.3 points in May 2021 (seasonally adjusted) after hitting a record high in March 2021 (highest since this survey commenced in 2005). The **Australian PCI®** continues to indicate rapid growth in Q2 of 2021, albeit at slightly slower pace than in Q1. Results above 50 points indicate expansion, with higher results indicating a stronger pace of expansion.

All four components of activity expanded strongly in May 2021 (results well above 50 points, seasonally adjusted), with the index for employment hitting a new record high. The indexes for activity and new orders moved lower but remain elevated, as builders nationwide scrambled to fill orders and commence new residential construction projects ahead of HomeBuilder grant deadlines. Capacity utilisation inched back towards its recent high at 82.5% of capacity in use in May.

The indexes for input prices and selling prices both hit new record highs in May, with strong demand for immediate commencements and disrupted supplies of materials and components contributing to widespread pricing pressures. Builders report that demand is still being supported by HomeBuilder, low interest rates, redirected consumer spending and “local FOMO” in popular locations. Some respondents said that slow loan approvals and the combination of high prices, delivery delays and disruptions are starting to prompt more clients to wait. Respondents reported difficulty finding new skilled staff in building trades, sales, materials estimation and procurement. Several respondents voiced concerns about future demand once the current house-building boom has run its course.

## Australian PCI® and ABS building industry output



May 2021

### MEDIA CONTACTS

Thomas Devitt, HIA  
Tel: 0439 514 656



Tony Melville, Ai Group  
Tel: 0419 190 347

<b>Australian PCI®</b> ▼ -0.8 points (seasonally adjusted)	<b>58.3</b>
<b>Australian PCI®</b> ▲ +0.1 points (trend)	<b>59.7</b>
<b>Activity</b> ▼ -7.1 points (seas. adj.)	<b>55.7</b>
<b>Employment</b> ▲ +5.2 points (seas. adj.)	<b>64.4</b>
<b>New orders</b> ▼ -1.8 points (seas. adj.)	<b>55.2</b>
<b>Housing activity</b> ▼ -2.2 points (trend)	<b>62.8</b>
<b>Apartments activity</b> ▼ -0.7 points (trend)	<b>50.5</b>
<b>Commercial activity</b> ▼ -1.6 points (trend)	<b>51.2</b>
<b>Engineering activity</b> ▲ +1.7 points (trend)	<b>64.3</b>

**Construction sectors:** Current activity in housing and engineering construction remained strong in May. Apartment construction was stable (at lower levels) and commercial construction activity was mildly positive (trend). New orders remain relatively strong (results well above 50 points) in housing, commercial and engineering construction but continue to indicate contraction in apartment construction (trend).

**Construction prices:** The indexes for input prices and selling prices both hit new record highs in May (index series commencing in 2005 and 2008 respectively), with strong demand for immediate commencements and disrupted supplies of materials and components contributing to widespread pricing pressures.

**Construction wages and employment:** The **Australian PCI®** index for employment hit a new record high at 64.4 points in May. The wages index moderated, but at 65.0 points it remains well above the average for this index series (59.5 points).

**Construction activity and new orders:** The **Australian PCI®** indexes for activity and new orders moved lower, but remain relatively elevated as builders nationwide scrambled to fill orders and commence new residential construction projects ahead of HomeBuilder grant deadlines.

**Construction supplier deliveries:** The supplier deliveries index moved back towards its record high in May, but builders across all sectors continue to report problems with delivery delays and elevated freight pricing.

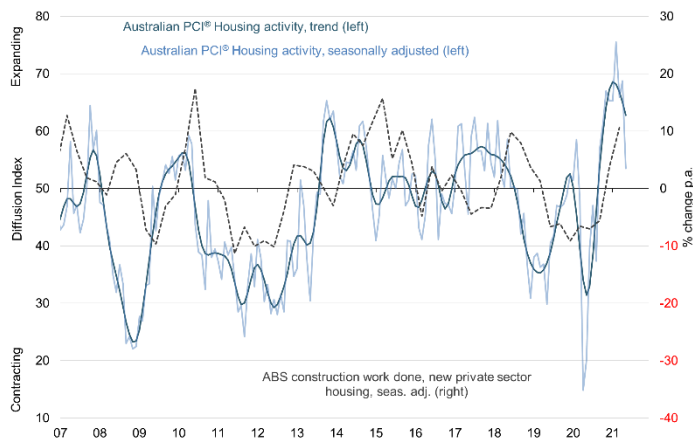
**Construction capacity utilisation** inched back towards its recent high of January, at 82.5% in May.

**Construction highlights:** Builders pointed to ongoing support from HomeBuilder, low interest rates, redirected consumer spending and "local FOMO" in popular regional locations in May. Many businesses are increasing their recruitment efforts across a range of skills and specialisations - including building trades but also sales, IT, procurement and cost estimation - in order to meet the current spike in demand. Some businesses are taking on more apprentices with an eye to future growth.

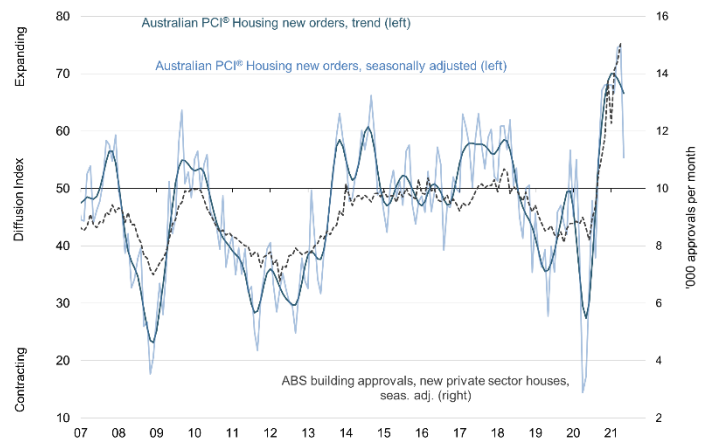
**Construction concerns:** Some respondents said that slow loan approvals and the combination of high prices and delays/disruptions are encouraging more potential clients to wait. Respondents report ongoing difficulties finding new skilled staff in building trades, sales, estimation and materials procurement, particularly in regional locations. Several respondents voiced concerns about slower future demand, once the current house-building & renovating boom has run its course.

AUSTRALIAN PCI® SEASONALLY ADJUSTED	Index this month	Change from last month	12-month average	AUSTRALIAN PCI® TREND	Index this month	Change from last month	12-month average
<b>Australian PCI®</b>	<b>58.3</b>	<b>-0.8</b>	<b>51.8</b>	<b>Australian PCI®</b>	<b>59.7</b>	<b>0.1</b>	<b>51.8</b>
Activity	55.7	-7.1	50.9	House building activity	62.8	-2.2	58.6
Employment	64.4	5.2	54.0	Apartment building activity	50.5	-0.7	44.5
New Orders	55.2	-1.8	50.7	Commercial building activity	51.2	-1.6	47.6
Supplier Deliveries	59.4	3.4	51.9	Engineering construction	64.3	1.7	48.6
Input Prices	95.8	3.3	77.1	<b>Capacity utilisation</b>			
Selling Prices	78.2	4.9	55.9	<i>Seasonally adjusted</i>			
Average Wages	65.0	-0.4	59.0	% of total capacity being utilised	82.5	1.1	77.7
<b>CONSTRUCTION REPORT CARD: ABS data, seasonally adjusted</b>				<b>Level</b>	<b>Change</b>	<b>Change</b>	<b>Share of total</b>
<b>Construction work done, \$bn per quarter, Mar 2021</b>				\$bn	% q/q	% y/y	% of construction activity
Volume of residential building				19.0	5.1	4.2	36.5%
Volume of non-residential building				11.2	-1.6	-10.4	21.6%
Volume of engineering construction				21.8	2.2	-0.3	41.9%
<b>Construction output, real value-added, \$bn per quarter, Mar 2021</b>				34.6	4.4	-0.8	6.9% of total GDP
<b>Construction employment, million people employed, Feb 2021</b>				1,154	-2.3	-2.5	9.2% of employed people
<b>Building approvals, \$bn per month, April 2021</b>				\$bn	% m/m	% y/y	% of building approvals
Value of residential building approvals				8.4	-7.1	41.4	68.6
Value of non-residential building approvals				3.8	-43.2	1.2	31.4
ABS data sources: <i>National Accounts; Labour Force Quarterly Detail; Building Approvals; Construction Work Done.</i>							

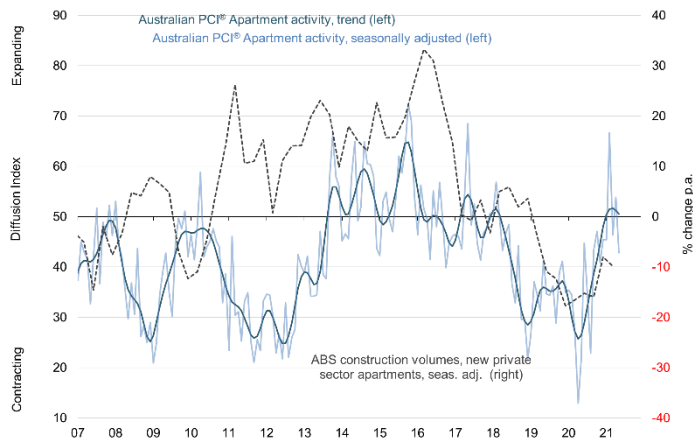
## House building activity



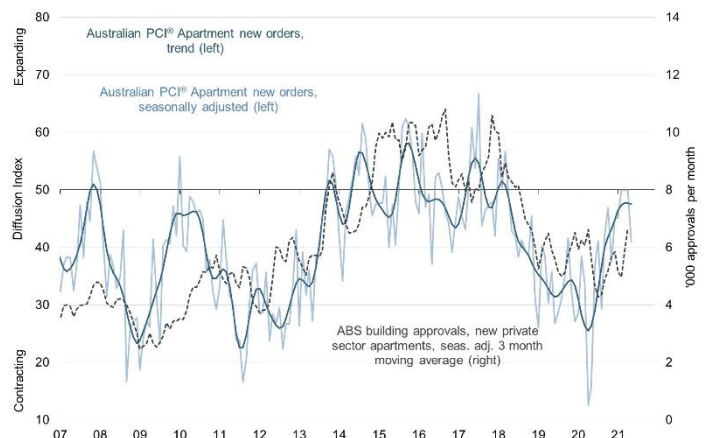
## House building new orders



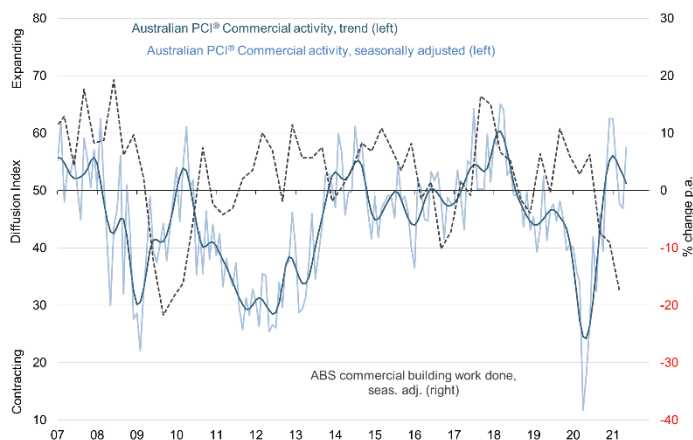
## Apartment building activity



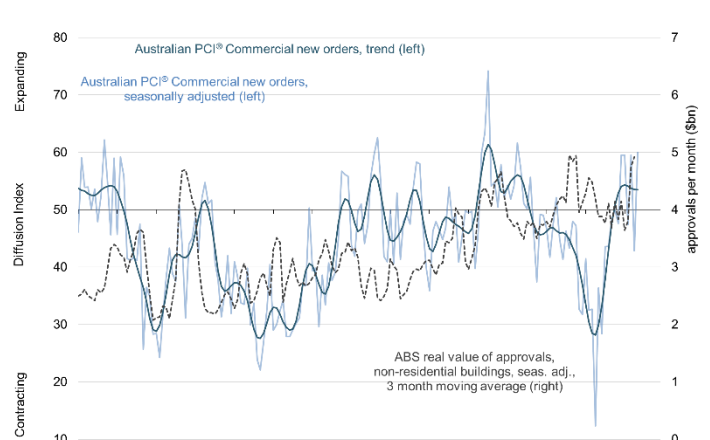
## Apartment building new orders



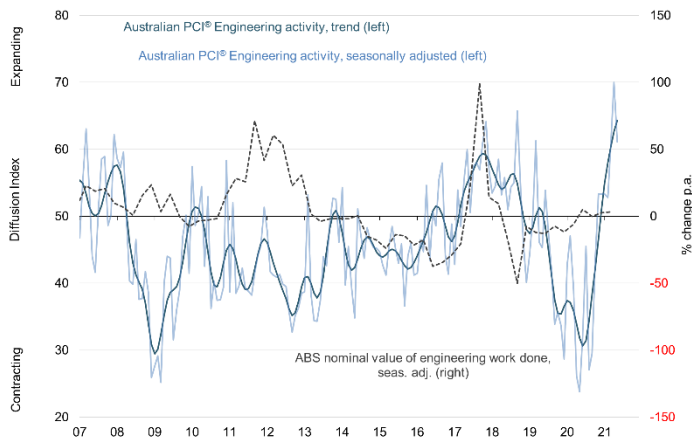
## Commercial construction activity



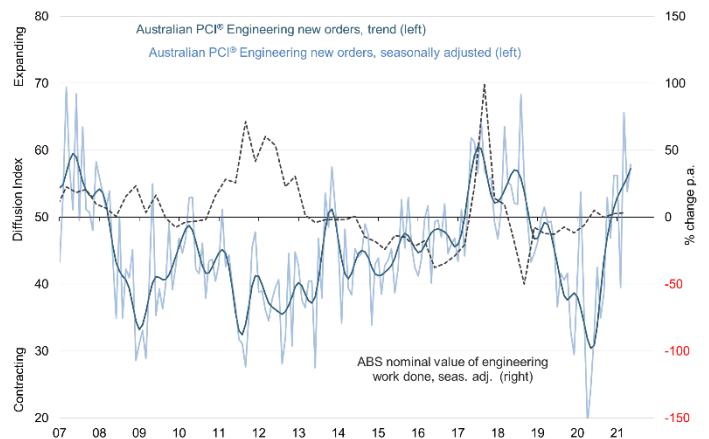
## Commercial construction new orders



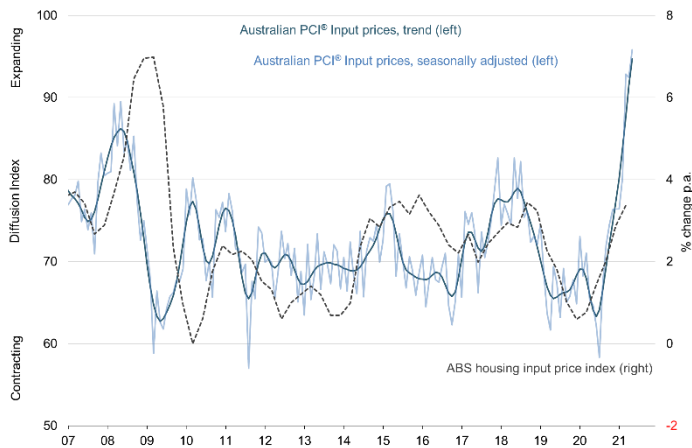
## Engineering activity



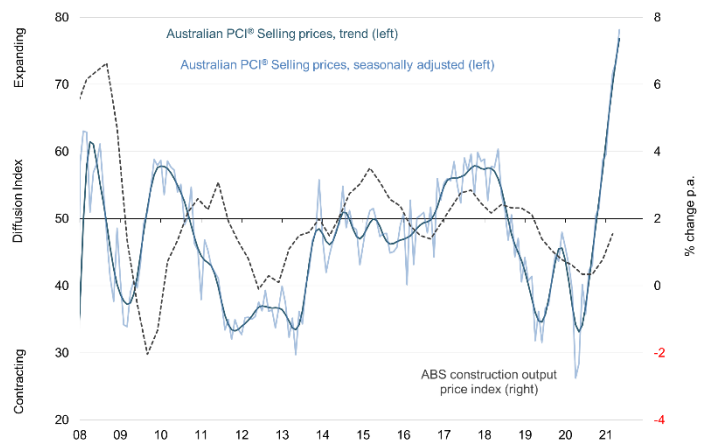
## Engineering new orders



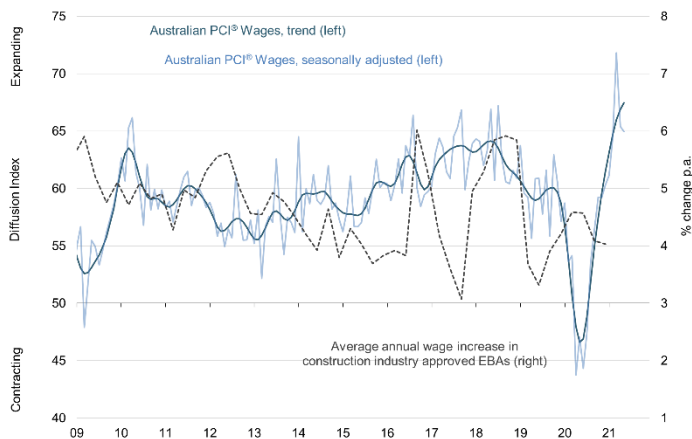
## Input prices



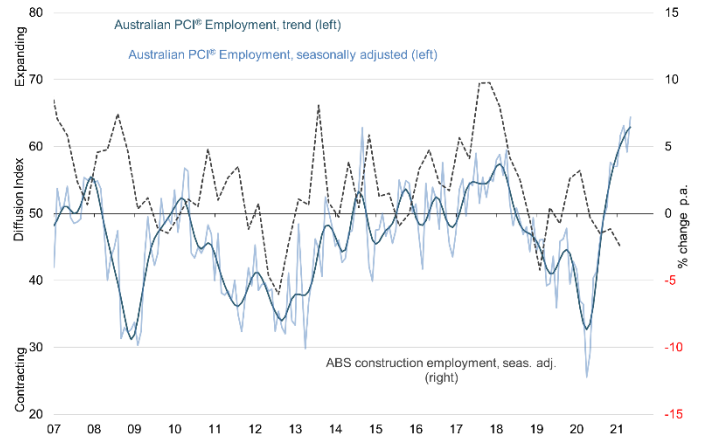
## Selling prices



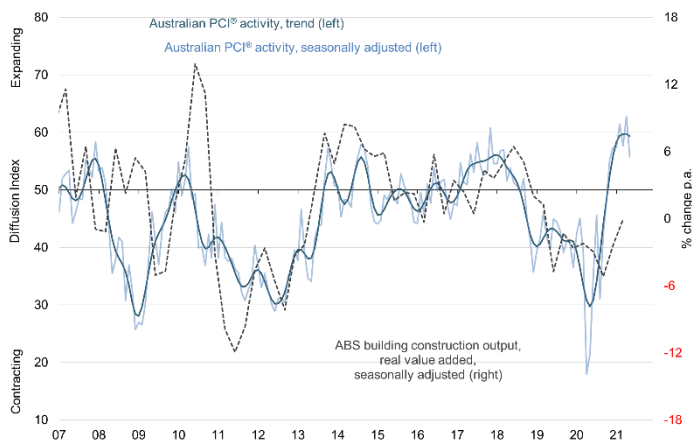
## Average wages



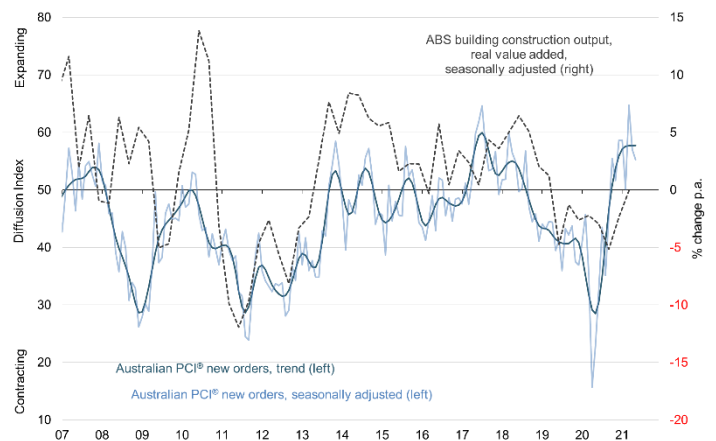
## Employment



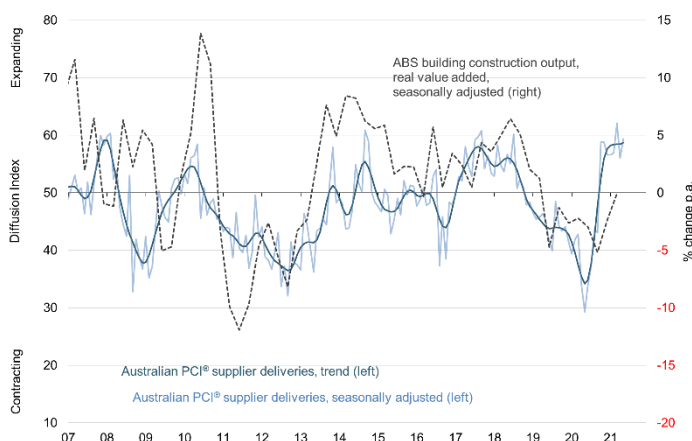
## Activity



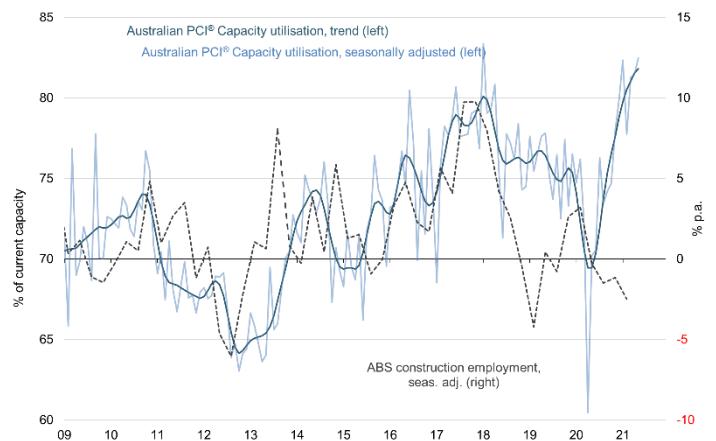
## New orders



## 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.

© The Australian Industry Group, 2021. This publication is copyright. Apart from any fair dealing for the purposes of private study or research permitted under applicable copyright legislation, no part is to be reproduced by any process or means without the prior written permission of The Australian Industry Group.

**Disclaimer:** The Australian Industry Group provides information services to its members and others, including economic policy and information services. None of the information provided here is represented or implied to be legal, accounting, financial or investment advice and does not constitute financial product advice. The Australian Industry Group does not invite and does not expect any person to act or rely on any statement, opinion, representation or inference expressed or implied in this publication. All readers must make their own enquiries and obtain their own professional advice in relation to any issue or matter referred to herein before making any financial or other decision. The Australian Industry Group accepts no responsibility for any act or omission by any person relying in whole or in part upon the contents of this publication.

For further economic analysis and information from the Australian Industry Group, visit [www.aigroup.com.au/resourcecentre/economics/](http://www.aigroup.com.au/resourcecentre/economics/)