

Construction recovery sustained in November

November 2021

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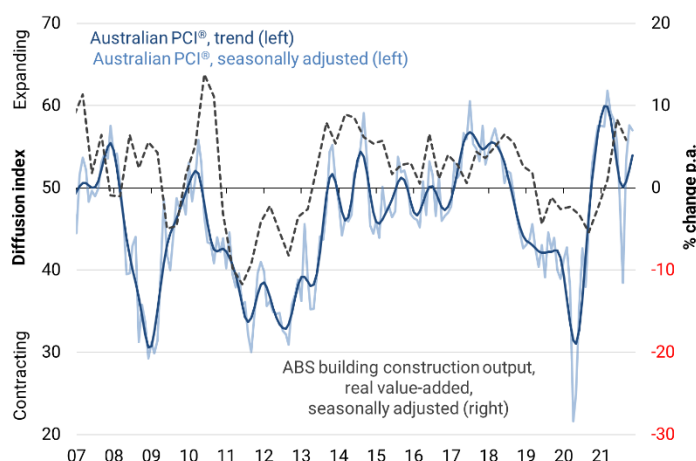
The Australian Industry Group and HIA Australian Performance of Construction Index (**Australian PCI®**) eased by 0.6 points to 57.0 points in November 2021 following a strong rebound in September (seasonally adjusted). The **Australian PCI®** remained elevated in November but decelerated mildly, indicating the pace of improvement recorded in October was broadly maintained, following the end of lockdowns and a return to more normal conditions. Results above 50 points indicate expansion, with higher results indicating a stronger pace of expansion.

Current activity in engineering and commercial construction remained strong in November (seasonally adjusted). The indexes for apartments and engineering activity decelerated but continued to be expansionary. Housing activity moved back into contraction following a mild improvement in October but remained elevated on the back of the Homebuilder pipeline and changes in consumer preferences. Commercial construction activity accelerated. The indexes for activity, new orders and employment in the **Australian PCI®** remained in expansion. Builders indicated that seasonality and general positivity in the economy improved demand. The contraction in supplier deliveries eased in November.

Concerns about supply shortages, delivery delays and price hikes for various materials and inputs have remained evident across all four segments of construction in the past few months. The employment index rose further in November, but the availability of skilled labour remained an ongoing challenge for construction businesses. Capacity utilisation rose 1.9 points to 85.7% in November to reach a series high for the **Australian PCI®**.

Australian PCI® ▼ -0.6 points (seasonally adjusted)	57.0
Australian PCI® ▲ +1.7 points (trend)	53.9
Activity ▼ -5.2 points (seas. adj.)	60.0
Employment ▲ +2.2 points (seas. adj.)	59.0
New orders ▼ -0.2 points (seas. adj.)	58.5
Housing activity ▼ -5.3 points (seas. adj.)	46.6
Apartments activity ▼ -8.0 points (seas. adj.)	56.3
Commercial activity ▲ +6.3 points (seas. adj.)	68.8
Engineering activity ▼ -10.2 points (seas. adj.)	66.7

Australian PCI® and ABS building industry output



Construction sector activity: Current activity remained elevated in apartment building, commercial and engineering construction. Commercial construction improved more rapidly with a lift in this index of 6.3 points to 68.8 points in November, following a sharp increase in October due to easing of restrictions. Activity in house building fell into contraction after recording broadly stable conditions in October (seasonally adjusted). The activity indexes fell in three of the four segments of construction in November when compared to last month (seasonally adjusted).

Construction sector new orders: Looking ahead, the new orders index remained strong at 58.5 points in November. This was 0.2 points lower than last month. Builders reported mixed conditions with some reporting an increase in new orders, while others indicated interest hadn't picked up. Respondents reported more positivity in the market. The new orders indexes for housing, engineering and commercial construction improved, remaining in expansionary states. The orders index for new apartment projects plunged by 13.6 points, indicating contraction following two months of expansionary or stable conditions (seasonally adjusted).

Construction prices: The **Australian PCI®** index for input prices pointed to persistent upward pressure in November. The index for selling prices remained strong at 78.0 points, with both input and selling prices well above their long-run averages (seasonally adjusted). Ongoing high prices from suppliers and importers remained a concern for builders nationwide.

Construction wages and employment: The employment index indicated further expansion in November (seasonally adjusted), despite ongoing skilled labour shortages across the country. Some home builders indicated increase in new orders requiring them to look for more staff. The wages index fell by 1.8 points to 73.3 points in November but remained well above its long-run average.

Construction supplier deliveries: The supplier deliveries index improved modestly by 3.5 points to 44.8 points in November. This index has remained in contraction since July 2021 (under 50 points, seasonally adjusted). Builders across all sectors and locations continued to report delivery disruptions and high freight costs.

Construction capacity utilisation climbed 1.9 points to 85.7% to reach a series high in November. Builders reported the need to increase staff levels and investment in machinery due to market positivity.

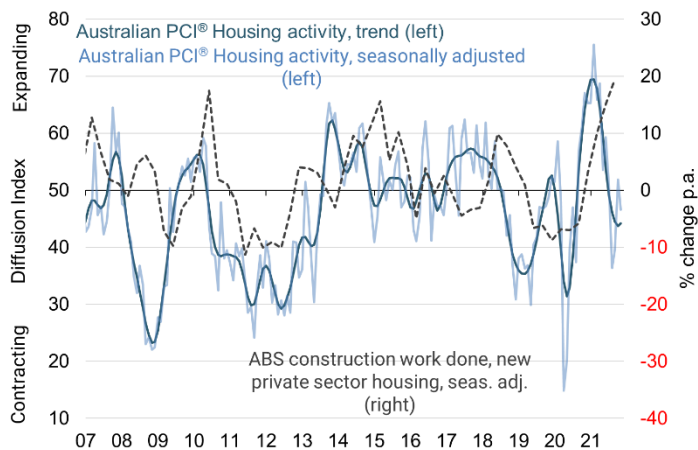
Construction highlights: A return to more normal business conditions has improved customer's confidence across the board, leading to new orders for building projects, particularly for commercial building.

Construction concerns: Global shipping disruptions persist and builders continued to report high input prices. Skilled labour shortages, shortages of land and interstate border closures were some of the challenges reported by builders.

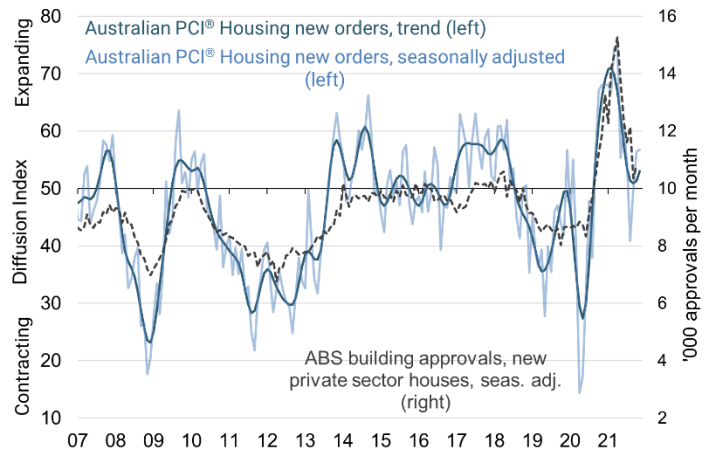
AUSTRALIAN PCI® SEASONALLY ADJUSTED	Index this month	Change from last month	12-month average	AUSTRALIAN PCI® SEASONALLY ADJUSTED	Index this month	Change from last month	12-month average
Australian PCI®	57.0	-0.6	55.2				
Activity	60.0	-5.2	54.6	House building activity	46.6	-5.3	56.6
Employment	59.0	2.2	58.6	Apartment building activity	56.3	-8.0	47.7
New Orders	58.5	-0.2	55.2	Commercial building activity	68.8	6.3	53.7
Supplier Deliveries	44.8	3.5	50.5	Engineering construction	66.7	-10.2	56.2
Input Prices	97.5	0.3	91.2	Capacity utilisation			
Selling Prices	78.0	-0.3	73.3	<i>Seasonally adjusted</i>			
Average Wages	73.3	-1.8	69.1	% of total capacity being utilised	85.7	1.9	82.2
CONSTRUCTION REPORT CARD: ABS data, seasonally adjusted				Level	Change	Change	Share of total
Construction work done , \$bn per quarter, September 2021				\$bn	% q/q	% y/y	% of construction activity
Volume of residential building				18.8	-0.0	7.0	34.8
Volume of non-residential building				11.7	-2.2	-2.4	21.6
Volume of engineering construction				23.5	0.4	4.0	43.6
Construction output , real value-added, \$bn per quarter, Sep 2021				35.8	-1.1	5.9	7.1% of total GDP
Construction employment , million people employed, August 2021				1,125	-3.0	-3.3	8.6% of employed people
Building approvals , \$bn per month, October 2021				\$bn	% m/m	% y/y	% of building approvals
Value of residential building approvals				6.4	-11.4	0.1	63.7
Value of non-residential building approvals				3.7	-20.9	-25.4	36.3

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

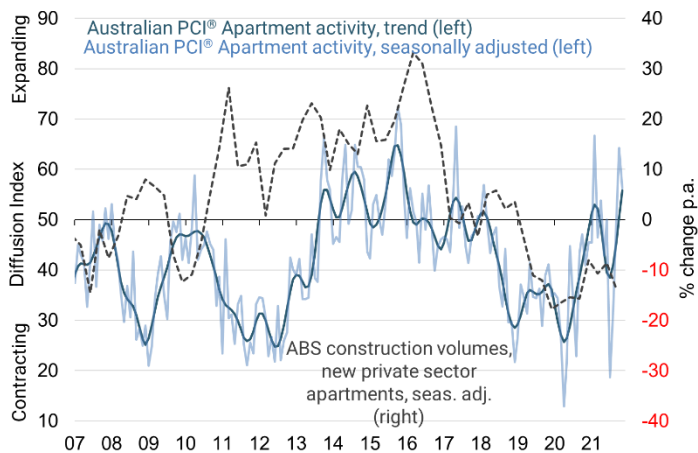
House building activity



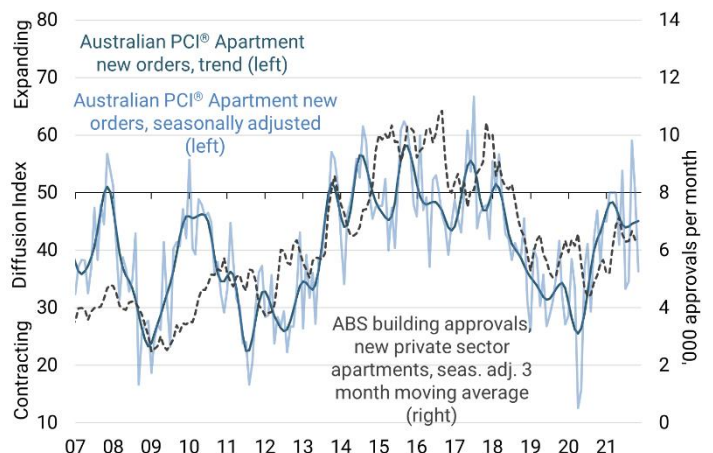
House building new orders



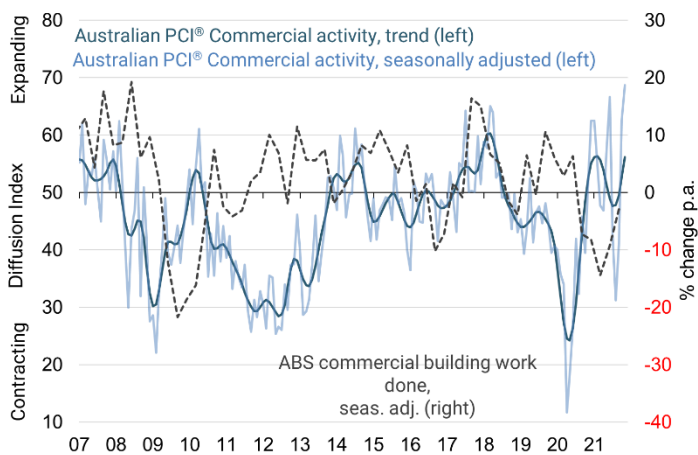
Apartment building activity



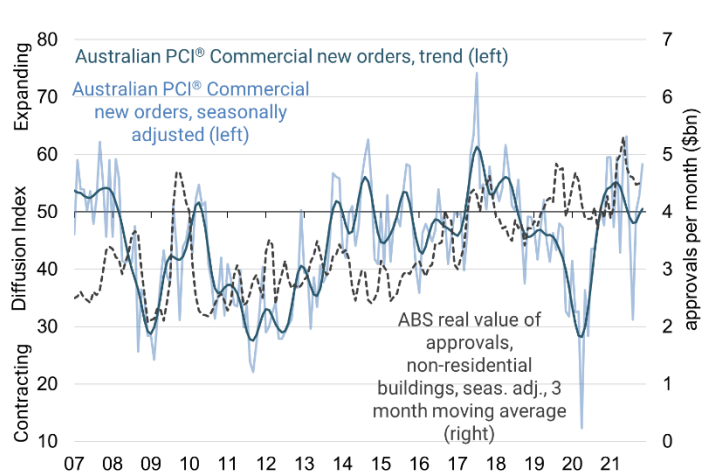
Apartment building new orders



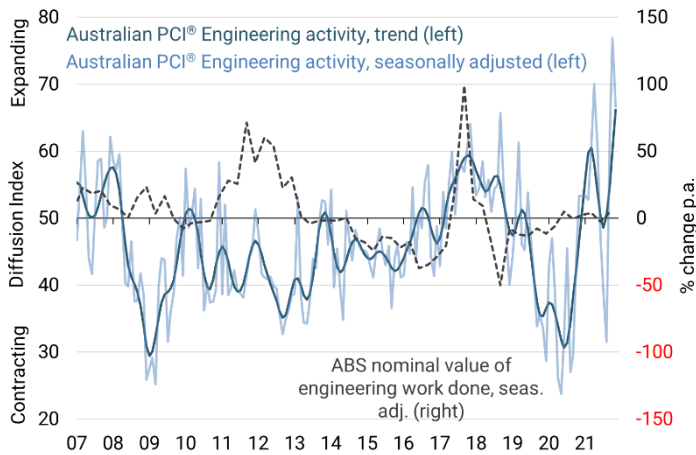
Commercial construction activity



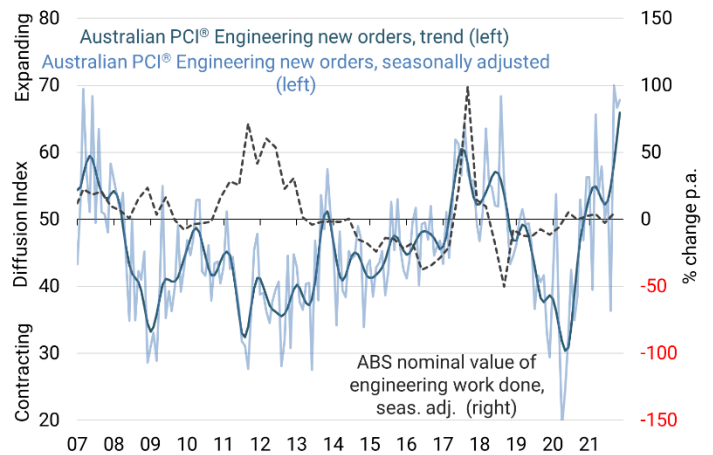
Commercial construction new orders



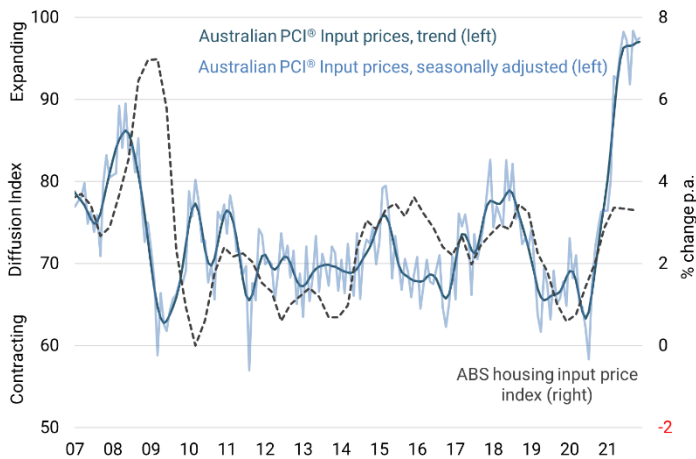
Engineering activity



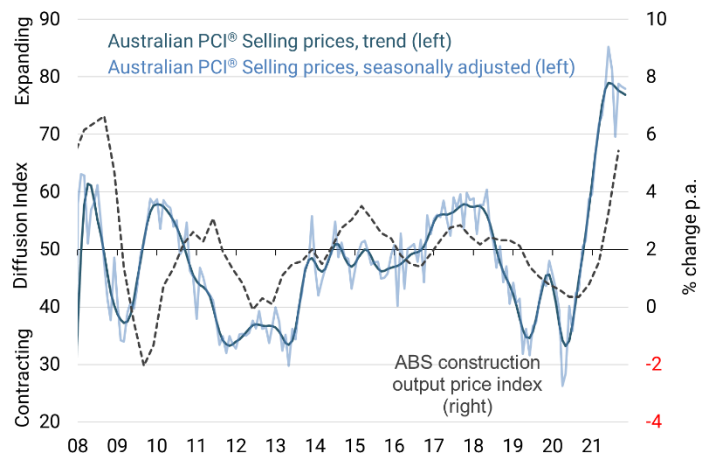
Engineering new orders



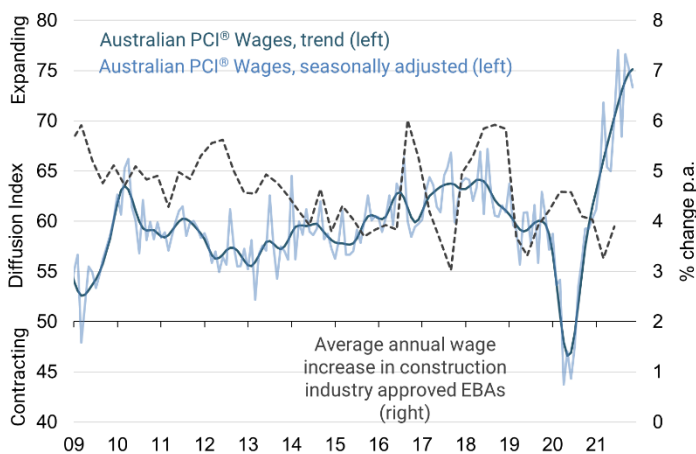
Input prices



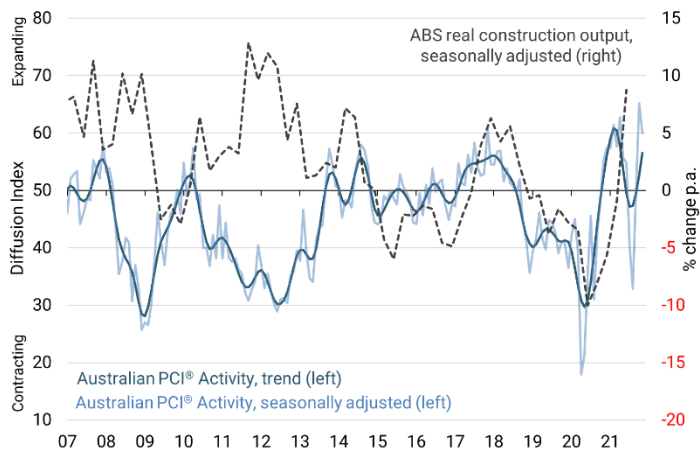
Selling prices



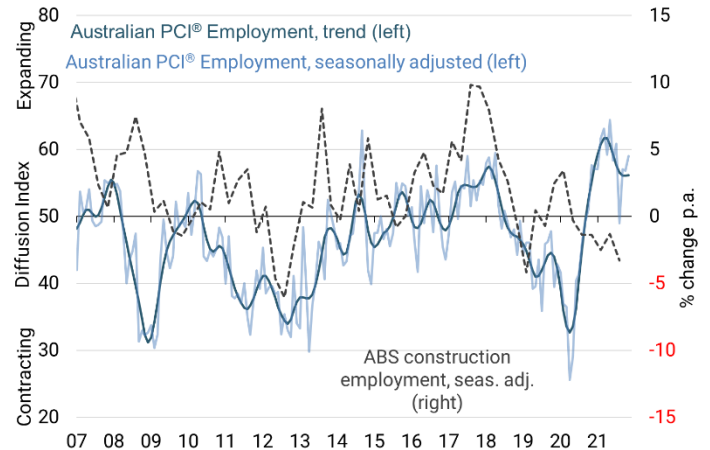
Average wages



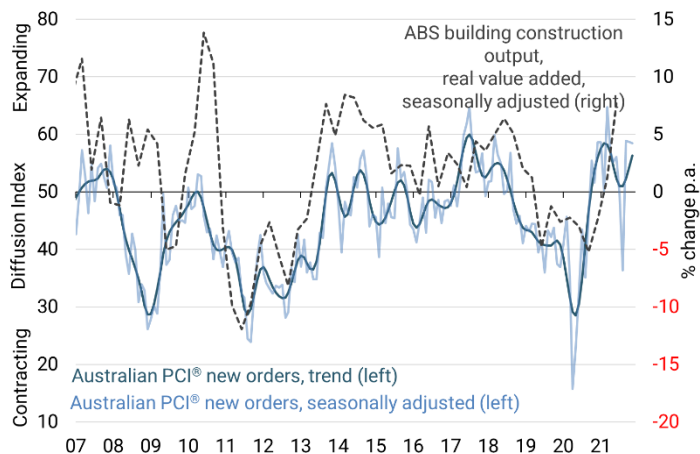
Activity



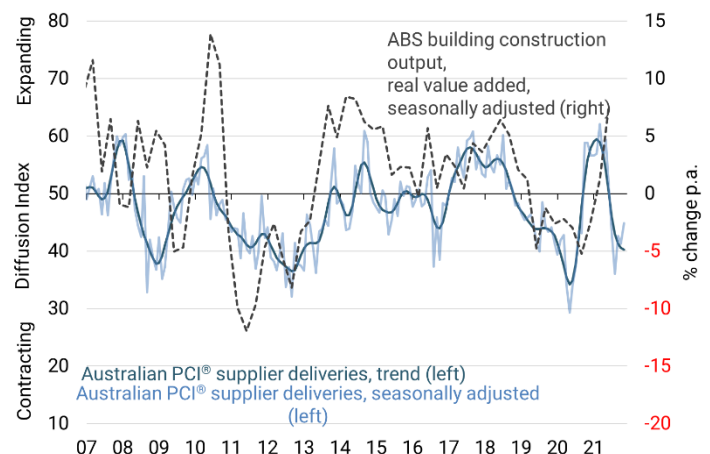
Employment



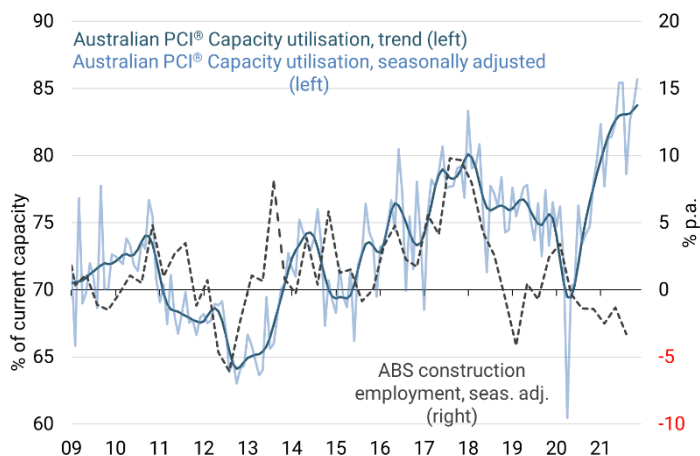
New orders



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, supplier 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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