

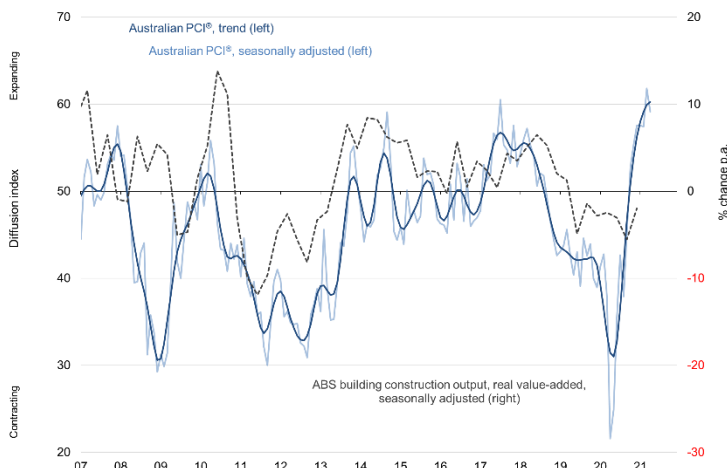
# Australian PCI® stays close to its historic high in April 2021

The Australian Industry Group and HIA Australian Performance of Construction Index (**Australian PCI®**) fell by 2.7 points to 59.1 points in April 2021 (seasonally adjusted) after hitting a record high in March 2021 (highest since this survey commenced in 2005). The **Australian PCI®** continues to indicate a strong pace of recovery following 2020's recession and the successful HomeBuilder program (results above 50 points indicate expansion, with higher results indicating a stronger pace of expansion).

All four components of activity expanded strongly in April 2021 (results well above 50 points, seasonally adjusted). The activity index jumped 5.1 points to a record high of 62.8 points, as home builders nationwide scrambled to commence new projects ahead of the HomeBuilder grant deadlines. The indexes for new orders, employment and supplier deliveries all eased from their record highs in March but remained elevated. Capacity utilisation inched up again, with many home builders reporting shortages of skilled labour, materials and inputs. The selling prices index hit a new record high, as more builders passed on the cost of input price increases and delivery delays to their customers.

Looking ahead, the new orders index dropped by 7.7 points to 57 points in April, from a record high in March. The new orders indexes remain elevated in housing and engineering construction but flat (50 points) for apartments and declining in commercial construction (seasonally adjusted). New orders for houses are likely to fall from recent peaks after the HomeBuilder program ends. The recent boom in approvals will, however, keep home builders busy for many months to come.

## Australian PCI® and ABS building industry output



April 2021

### MEDIA CONTACTS

Thomas Devitt, HIA  
Tel: 0439 514 656



Tony Melville, Ai Group  
Tel: 0419 190 347

<b>Australian PCI®</b> ▼ -2.7 points (seasonally adjusted)	<b>59.1</b>
<b>Australian PCI®</b> ▲ +0.4 points (trend)	<b>60.3</b>
<b>Activity</b> ▲ +5.1 points (seas. adj.)	<b>62.8</b>
<b>Employment</b> ▼ -3.9 points (seas. adj.)	<b>59.2</b>
<b>New orders</b> ▼ -7.7 points (seas. adj.)	<b>57.0</b>
<b>Housing activity</b> ▲ +0.2 points (trend)	<b>69.7</b>
<b>Apartments activity</b> ▲ +1.1 points (trend)	<b>54.6</b>
<b>Commercial activity</b> ▼ -2.0 points (trend)	<b>51.4</b>
<b>Engineering activity</b> ▲ +2.3 points (trend)	<b>63.8</b>

**Construction sectors:** Activity across all four segments of construction remained expansionary in trend terms, due to the very high pace of recovery recorded throughout Q4 of 2020 and Q1 of 2021. In seasonally adjusted terms, current activity remained strong in housing and engineering construction in April, but apartment construction activity expanded only mildly in April (after pausing in March) and commercial construction activity declined for a second consecutive month in April.

**Construction prices:** The **Australian PCI®** index for input prices is still showing strong upward pressure in April but has eased from recent peaks. The selling prices index moved 1.5 points higher to 73.3 points (a record high for this pricing series, which commenced in 2008), indicating that more builders are passing on their cost increases to their customers.

**Construction wages and employment:** The employment index in the **Australian PCI®** fell by 3.9 points to 59.2 points after hitting a record high in March 2021. It remains relatively elevated, as does the average wages index. Residential builders said they are increasing work hours and staff numbers, with apprenticeship numbers also said to be recovering.

**Construction activity:** The **Australian PCI®** activity index jumped 5.1 points to a record high of 62.8 points, as home builders nationwide scrambled to commence new projects ahead of the HomeBuilder grant deadlines. The activity index for house building hit a record high in February 2021 while engineering construction activity hit a record high in April (seasonally adjusted). Activity in apartments is recovering again (above 50 points, seasonally adjusted) but commercial construction contracted mildly for a second consecutive month in April (seasonally adjusted).

**Construction new orders:** Looking ahead, the new orders index dropped by 7.7 points to 57 points in April, from a record high in March. The new orders indexes remain elevated in housing and engineering construction but flat (50 points) for apartments and declining in commercial construction (seasonally adjusted).

**Construction supplier deliveries:** The supplier deliveries index eased by 6.1 points to 56.0 points in April, after hitting a record high in March. This index remains relatively elevated, compared to its own recent and historical averages.

**Construction capacity utilisation** inched back towards its recent high at 81.4% in April. It hit a record high in December.

**Construction highlights:** The new orders index appears to have peaked in Q1 of 2021, reflecting the very successful HomeBuilders program. This is in line with recent house approvals and financing trends. Although approvals have already peaked, the pipeline of work created by this spike in demand is likely to keep home builders busy for many months to come.

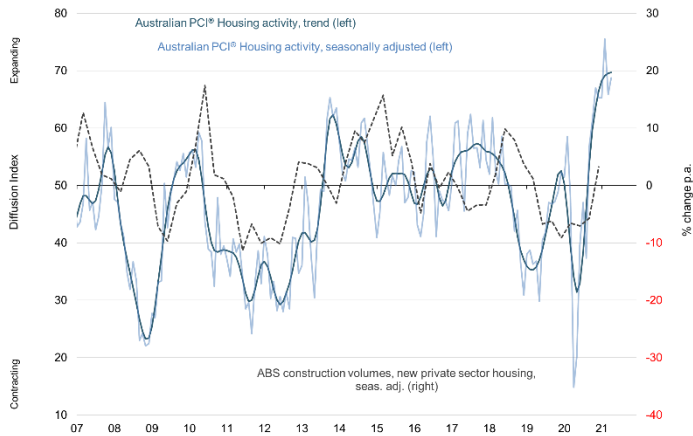
**Construction concerns:** Builders across all sectors continue to report shortages of skilled trades contractors, key supplies and components. They also report rising input prices, freight delays and high freight charges. Home builders remain wary of a post-HomeBuilder demand slump but are hopeful that low interest rates and other factors will help to support demand.

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
Australian PCI®	59.1	-2.7	49.0	Australian PCI®	60.3	0.4	49.0
Activity	62.8	5.1	48.0	House building activity	69.7	0.2	55.8
Employment	59.2	-3.9	51.1	Apartment building activity	54.6	1.1	42.7
New Orders	57.0	-7.7	48.0	Commercial building activity	51.4	-2.0	44.3
Supplier Deliveries	56.0	-6.1	49.4	Engineering construction	63.8	2.3	45.5
Input Prices	92.5	-0.4	74.5	<b>Capacity utilisation</b>			
Selling Prices	73.3	1.5	51.8	<i>Seasonally adjusted</i>			
Average Wages	65.4	-6.4	57.5	% of total capacity being utilised	81.4	0.1	76.7
<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</b> , \$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%
<b>Construction output</b> , real value-added, \$bn per quarter, Dec 2020				33.1	0.3	-5.2	7.0% of total GDP
<b>Construction employment</b> , million people employed, Feb 2021				1,154	-2.3	-2.5	9.2% of employed people
<b>Building approvals</b> , \$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

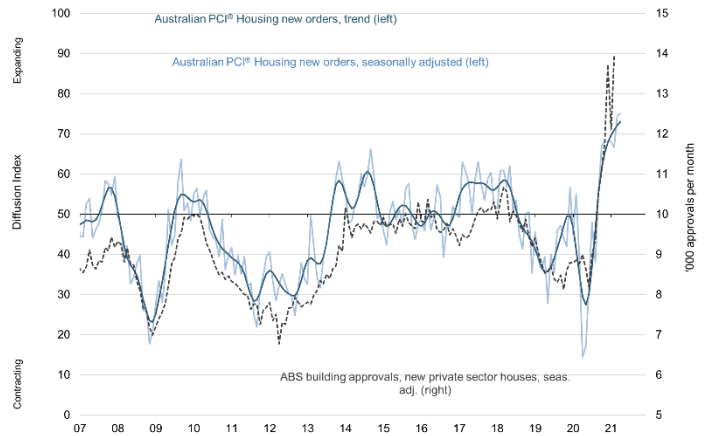
ABS data sources: *National Accounts; Labour Force Quarterly Detail; Building Approvals; Construction Work Done.*

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

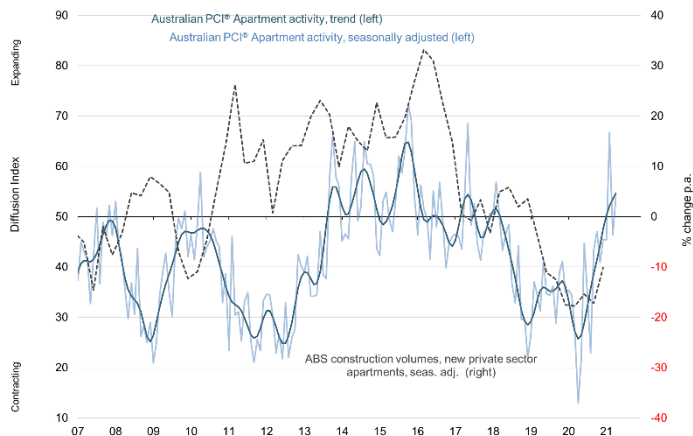
**House building activity**



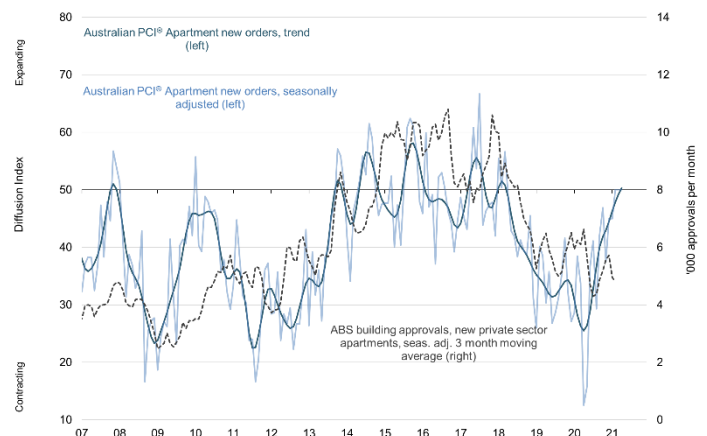
**House building new orders**



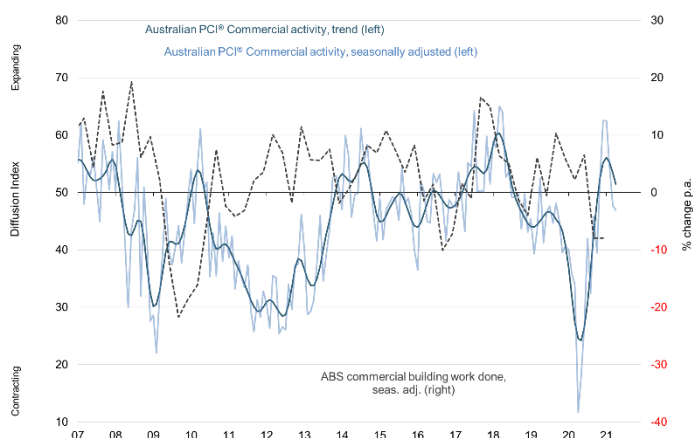
**Apartment building activity**



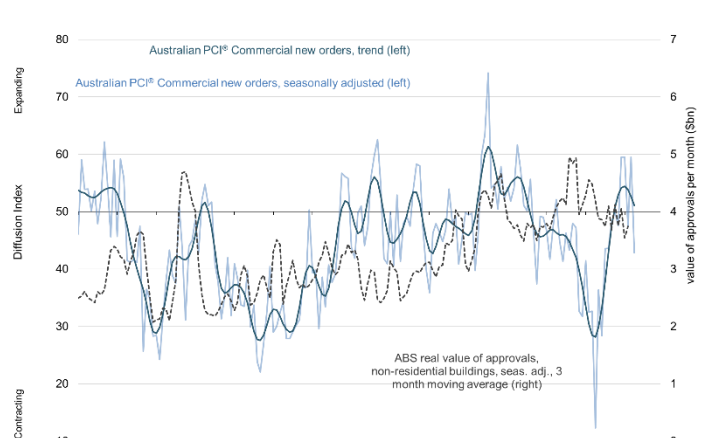
**Apartment building new orders**



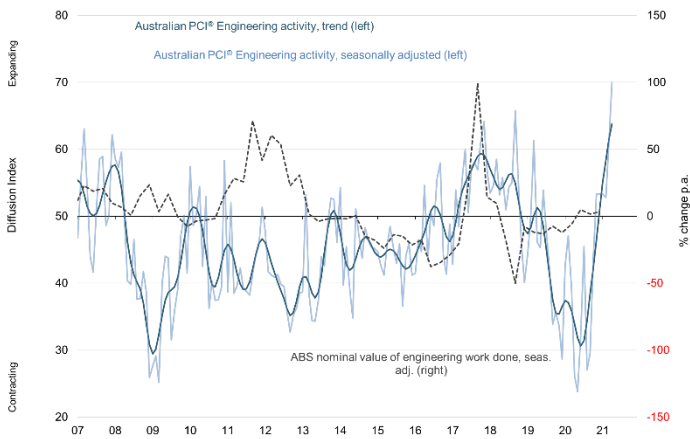
**Commercial construction activity**



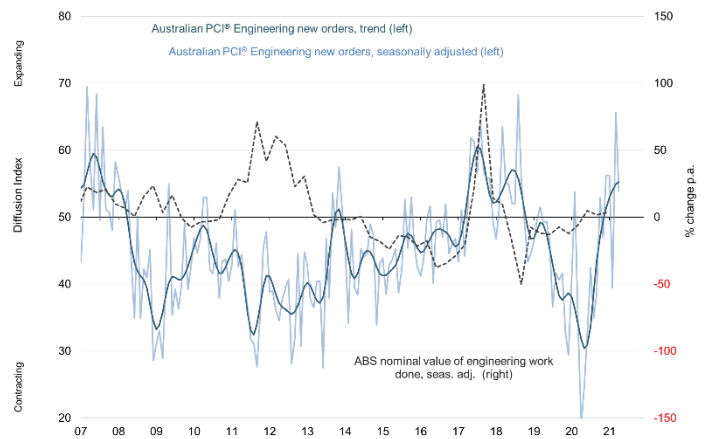
**Commercial construction new orders**



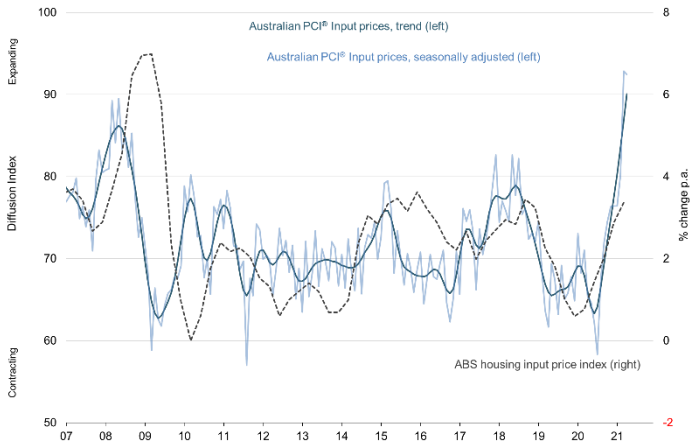
### Engineering activity



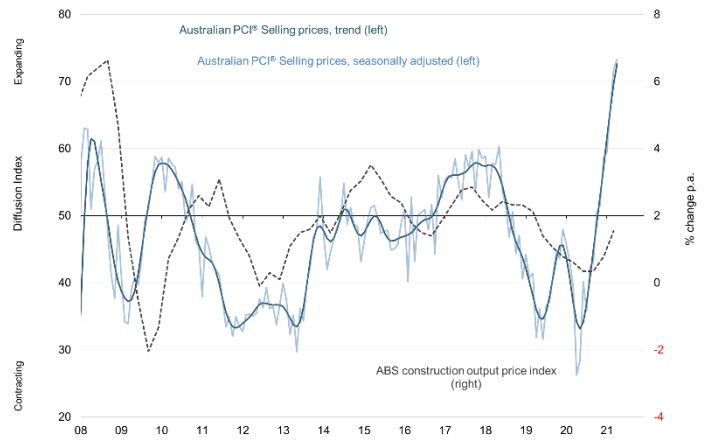
### Engineering new orders



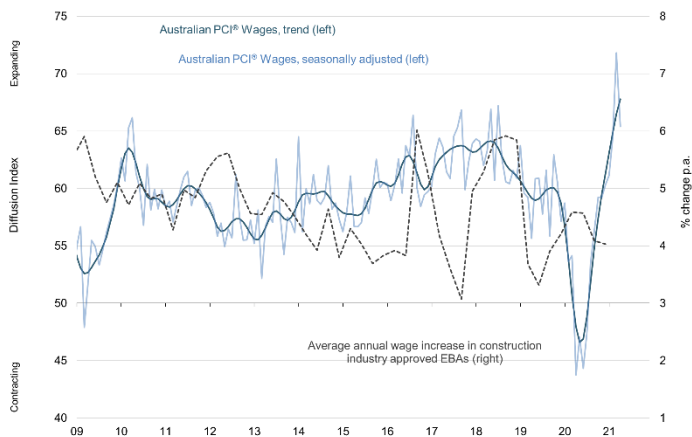
### Input prices



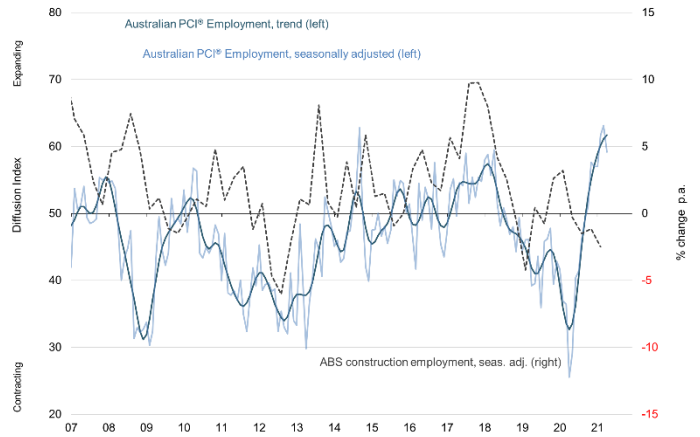
### Selling prices



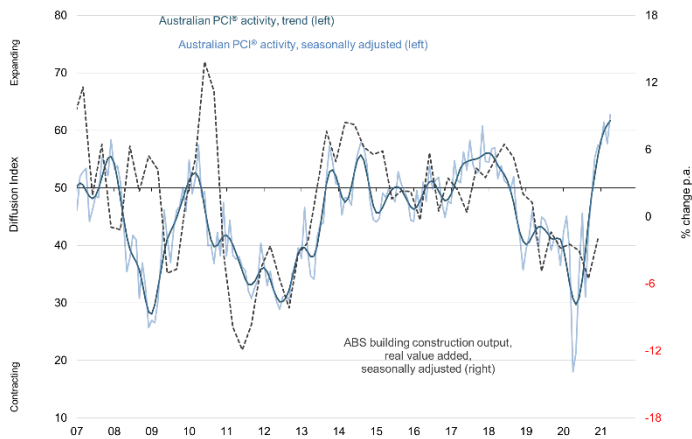
### Average wages



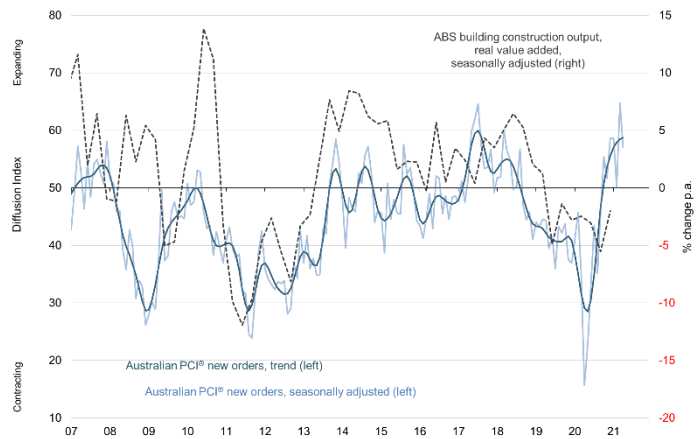
### Employment



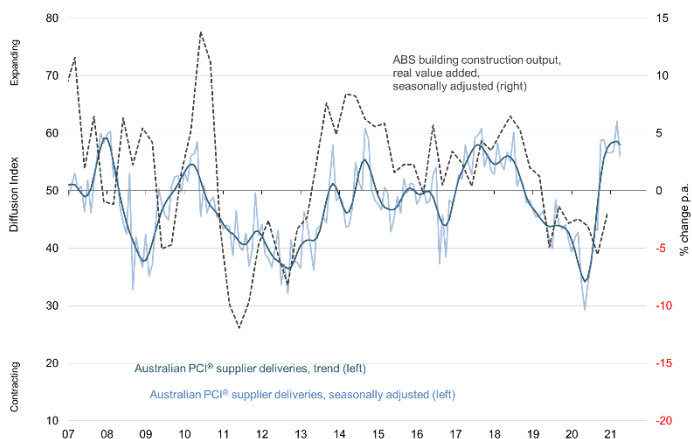
### Activity



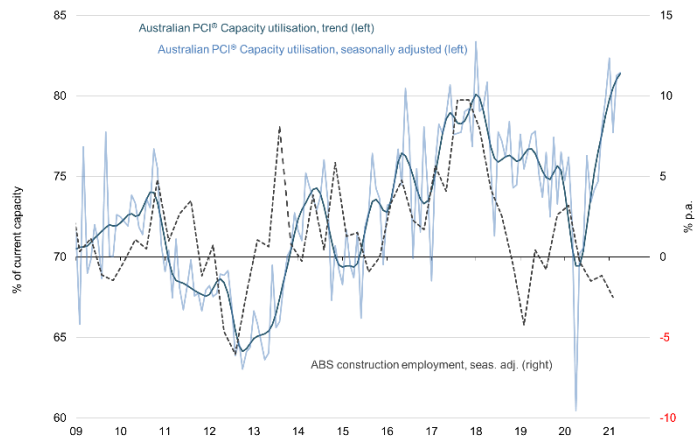
### New orders



### 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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