

Business Daily

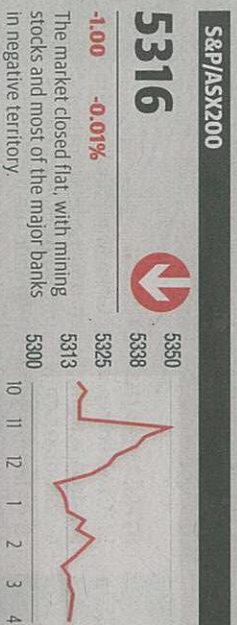


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The pick of The Pitch
Revisiting the
small players
making big
waves



ALL ORDINARIES

5318.7 **-0.10** **-0.00%**

OVERSEAS

DOW JONES	16,530.94	+105.84
HANG SENG	22,996.59	+283.81
NIKKEI	16,121.45	+307.08

BIG WINNER

SIRTEX MEDICAL

\$13.24 **+16.14%**

BIG LOSER

FORGE GROUP

\$1.105 **-20.5c -15.64%**

Buildings force

Momentum shift as rates woo owners

JOHN DAGGE CONSTRUCTION

THE Reserve Bank's efforts to encourage new home building appear to be gaining traction with the lure of low interest rates spurring the second fastest pace of residential construction growth in more than eight years.

Strong growth in new home builds helped drive the broader construction sector — a measure which takes in commercial buildings, apartments and engineering work — to its third straight month of expansion in December after three years of decline.

The figures were released yesterday in an index compiled by the Australian Industry Group and the Housing Industry Association.

AIG public policy director Peter Burn said three consecutive months of growth in construction work was an important tick in the box for Australia's economic prospects. "Low interest rates are clearly having their long-awaited impact," Mr Burn said. "The continued growth of new orders means that builders — and the manufacturing and service industries that are linked to the commercial and residential construction sectors — can look forward to 2014 with a greater degree of confidence than prevailed only a few months ago."

The RBA has cut the official cash rate to a historical low of 2.5 per cent in a bid to spark

HOMeward BOUND
The foundation's solid ...

Construction performance index
50.8 PTS **4.4**

... and home builders keep hammering away

Activity	50.7	3.9
Apartments	56.0	1.9
Commercial	50.8	2.1
Engineering	46.1	6.4

Houses **63.5** **1.5**

Source: AIG Group, HIA

construction activity as it aims to cover the easing of the investment phase of the mining boom.

Overall, the construction index lost 4.4 points to fall to 50.8 in December — indicating growth, albeit at a slower pace than November. An index figure above 50

indicates that the sector is expanding.

House building rose 15 points to 63.5 points, the second highest rate of expansion since the index began in September 2005.

Commercial construction and apartments also grew in December while the engineer-

ing sub-sector, which is closely linked to the mining sector, contracted as work from resource projects dried up.

NAB chief economist Alan Oster said while residential construction was positive, it would not fill the hole the downturn in mining-related construction would leave.

Mr Oster is tipping the central bank will cut the cash rate further by the middle of the year as unemployment rises.

"The RBA is looking to see something emerge that will replace investment in mining and I don't think it is coming," he said.

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