

Construction fact sheet - October 2020

Impacts of COVID-19 and spotlight on Auckland

Gross Domestic Product:
28% decrease

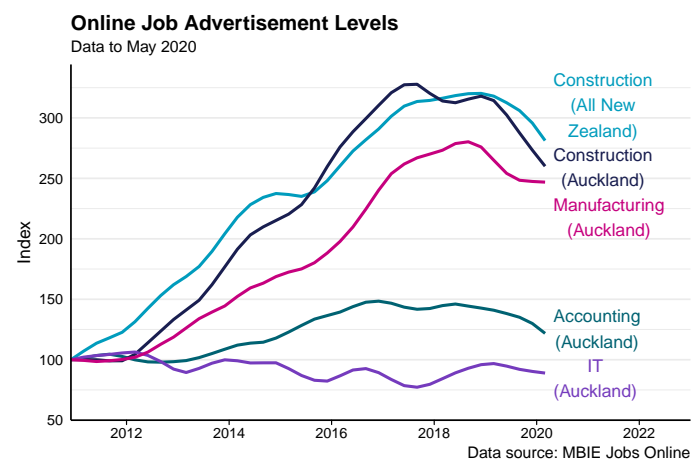
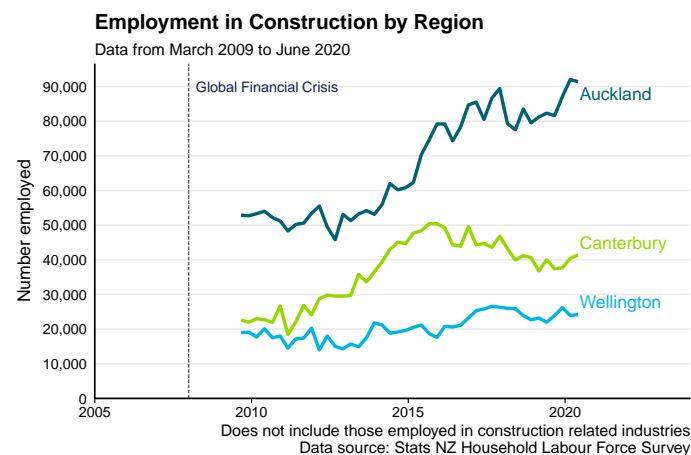
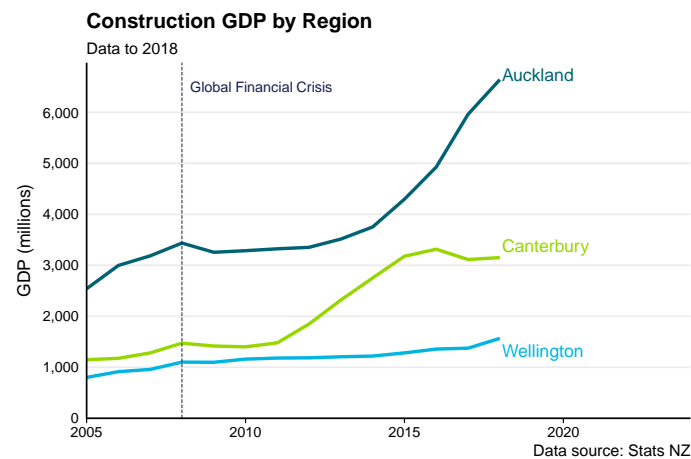
in Construction GDP compared to the same quarter in 2019.

Auckland Workforce:
91,400 people

are employed in the Auckland Construction Sector. This makes up 33% of the national Construction Sector workforce.

Auckland Gross Domestic Product:
36% contribution

to national Construction Sector GDP in the year ended March 2018.



State of the sector

Pre-COVID-19, Auckland alone contributed thirty six per cent of total Construction Sector GDP and drew on thirty three per cent of the national Construction Sector workforce.

Unlike the rest of New Zealand, Auckland was subject to another period of Alert Level 3 restrictions in August due to COVID-19 re-emerging in the community. Over the past ten years the Auckland Construction Sector has grown quickly compared to our other major regions.

Earlier in March 2020, Alert Level 4 essentially paused all construction work except essential infrastructure work or work that addressed immediate health or life safety risks. Under Alert Level 3 and subsequent levels, building and construction work can continue but businesses must follow additional health and safety guidelines such as physical distancing, setting up contact tracing measures and meeting hygiene requirements.

The industry's outlook is mixed. Productivity and building activity slowed and job losses have been reported with more expected. However, the impact of COVID-19 so far has been lighter than expected.

Employment

Jobs losses have been reported and more losses are expected.

Pre-COVID-19, there was strong growth in national Construction Sector employment which has been strongly influenced by building activity in Auckland. However, due to COVID-19 we know that:

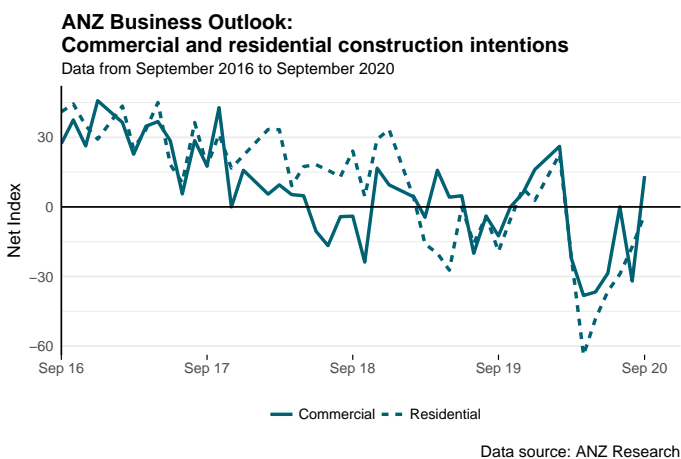
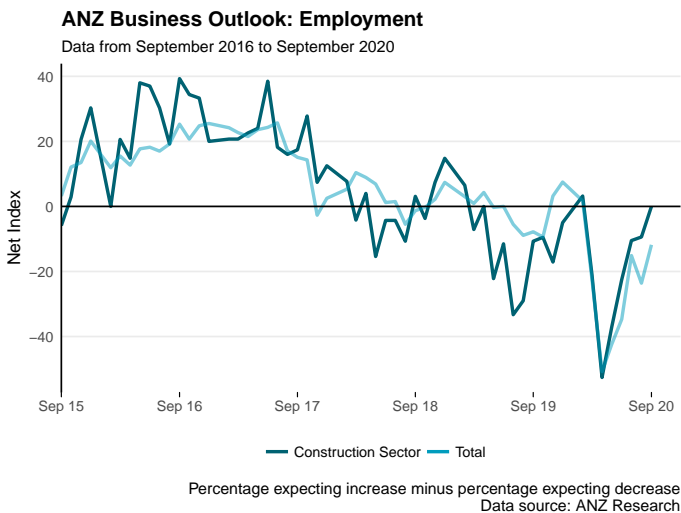
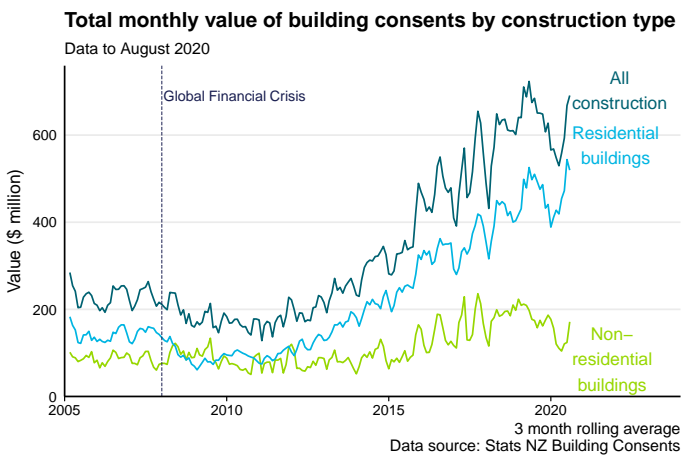
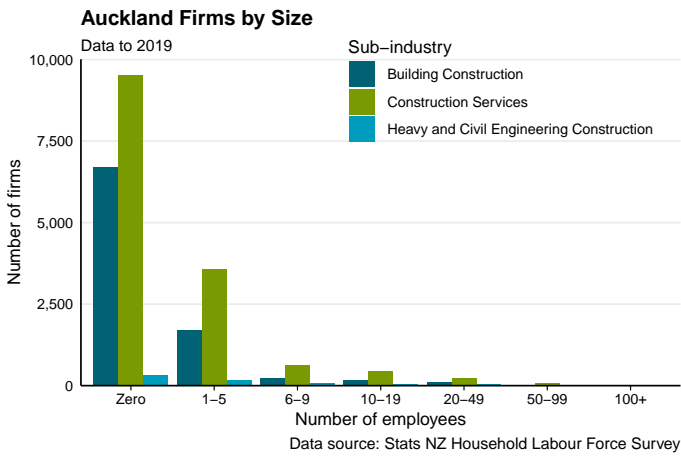
- jobs have been lost with more losses expected¹
- hiring intentions are relatively low and job advertisements have been declining²
- the total hours worked in construction has fallen compared with the June 2019 quarter³
- migrant labour remains restricted due to ongoing border restrictions.

¹ Hays Construction and NZIOB Salary Guide, Teletrac Navman Construction Industry Survey

² Jobs Online, ANZ Business Outlook

³ Statistics New Zealand





Recruiting certain skilled professionals remains an ongoing challenge for construction businesses and COVID-19 has not eased the skills gap⁴.

Salary growth is expected to be limited. In the Hays Construction and NZIOB Salary Guide, 37 per cent of respondents said there will be no increases in salary over the coming year. This is a significant increase compared to only 6 per cent last year. However, what is more important for those looking for work during this time is a certainty of work in the pipeline.⁴

Construction firms

In the most recent Alert Level 3 lockdown in Auckland, unlike in the first Alert Level 4 lockdown, construction businesses could keep working so long as health and safety procedures were in place.

Auckland's Construction Sector workforce is split between Construction Services (58 per cent) and Building and Heavy and Civil Engineering Construction (42 per cent). There are only a small number of firms in all sub-sector groups that employ 100+ people while there are more firms with zero staff (sole traders). This is the same pattern for the rest of New Zealand.

The Construction Sector has been negatively affected by COVID-19. A high proportion of construction firms in New Zealand received the initial Wage Subsidy (86 per cent)⁵. A more recent report outlined that 100 per cent of unique jobs in the Construction Sector were supported by the Wage Subsidy⁵.

Activity

Building activity slowed due to COVID-19 with many projects delayed and postponed.

- Alert Level 4 paused almost all building activity
- Total building consent applications took a dip in April 2020 which was a 33 per cent decrease compared to the same month last year but is now recovering⁶
- Pacifecon has reported that about 4,600 projects have been delayed due to COVID-19
- Projects have been delayed for periods longer than the first Alert Level 4 lockdown⁷

Factors that contributed to the delays include loss of favourable weather, high demand for contractors, decrease in building supplies and reduced productivity.⁷ Other factors that drag activity are financial constraint and lack of demand.

Commercial project workloads have contracted⁸ and future projects will be further affected by economic uncertainty. Despite this, ANZ's commercial construction intentions are relatively positive (net 18 per cent).

⁴Hays Construction and NZIOB Salary Guide ⁵MSD COVID-19 Evidence

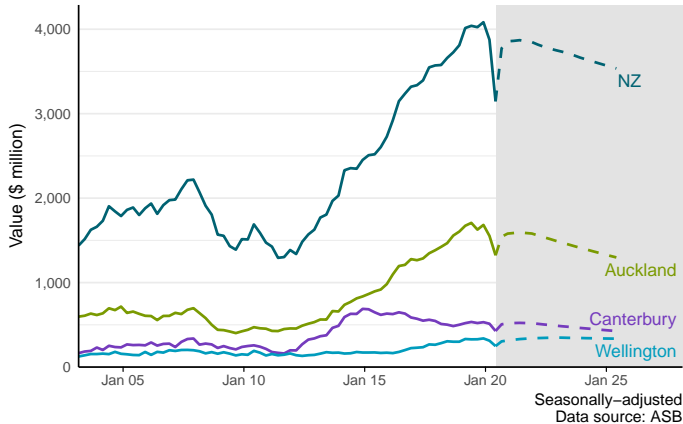
⁶Building Consents data ⁷Statistics New Zealand ⁸RICS Construction Monitor, Hays Construction and NZIOB Salary Guide, Teletrac Navman Construction Industry Survey

ANZ Business Outlook: Business confidence

Data from September 2016 to September 2020



ASB residential construction forecast



The contraction of commercial project workloads means the industry is likely to increase capacity in other project types such as roading and water infrastructure while capacity for commercial building construction will be less of a focus.

Impact and outlook

The impact of COVID-19 has been lighter than expected but uncertainty in the economic situation and pipeline is causing a lack of confidence.

In July 2020, the Government announced a list of shovel-ready projects which allocated \$2.6 billion for Transport, Housing, Environmental, Community, Social and Business infrastructure work to help stimulate the economy and create jobs. The industry is given some certainty of what's in the pipeline but it has been calling for more details to help it make decisions and prevent it from letting go of its workforce.

More construction businesses have low business confidence than high.

The results of the latest ANZ Business Outlook Survey show more construction businesses have low business confidence than high. On the upside, both business confidence and commercial and residential construction intentions have been improving since April 2020, keeping in mind business confidence remains negative since September 2017. Employment intentions have improved since April 2020 (from net -52.6 per cent to zero).

ASB heavily adjusted its residential and construction forecast as the economy performed better than expected. The fall in demand for residential construction in June 2020 was much less dramatic compared with earlier forecasts. The value of residential construction work put in place in June 2020 is now forecast to be about \$3.5 billion.

Data sources and glossary

GDP

Gross Domestic Product (GDP) data is taken from Stats NZ and presented in real terms. The latest total Construction Sector GDP is for the June 2020 Quarter. The latest regional Construction Sector GDP data is for the year ended March 2018. Regional GDP provides an indication of the size and structure of regional economies and provides a benchmark for measuring changes to regional economies over time.

Household Labour Force Survey

The Stats NZ Household Labour Force Survey (HLFS) is a quarterly national survey of households and measures average levels of employment, unemployment, and participation in the labour force. The HLFS data is the most up to date source for workforce data.

Building Consents

This data is taken from Stats NZ and covers the value and number of building consents issued for both new buildings and alterations to existing buildings, every month. Construction lags behind when a consent is issued, so statistics on building consents issued are a good indicator of upcoming construction activity shown in the value of building work statistics.

Jobs Online

Job vacancies are measured through Jobs Online by using job advertisements as a proxy for job vacancies. Jobs Online measures changes in online job advertisements from four internet job boards: SEEK, Trade Me Jobs, the Education Gazette and Kiwi Health Jobs. Jobs Online provides a key indicator of labour demand though vacancies by industry, occupation, skill-level and region.



Data sources and glossary

Business Demography Statistics

Business Demography Statistics (BDS) for 2019 are taken from Stats NZ and provides an annual snapshot of the structure and characteristics of New Zealand businesses. The BDS does not cover small enterprises that fall below an economic significance criterion and therefore excludes self-employed workers.

Hays Construction and NZIOB Salary Guide

The Hays Construction and New Zealand Institute of Building (NZIOB) Salary Guide is released annually since 2004. The Salary Guide provides a benchmark for remuneration levels within the construction sector. The 2020 edition includes an additional section that reports the findings from a survey to understand the effects of COVID-19 on the industry so far.

RICS Construction Monitor

The Royal Institute of Chartered Surveyors (RICS) Construction Monitor is a sentiment indicator of the construction and infrastructure markets across the Globe and is updated every quarter. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the future outlook of the industry.

MSD COVID-19 Evidence

The Support for Businesses Data is taken from the Ministry of Social Development (MSD). The data covers the period between 17 March 2020 and 15 May 2020 and provides breakdowns by business size and industry. Businesses include all employers and businesses with zero staff. COVID-19 support for businesses includes the Wage Subsidy (initial and modified), Leave and Self-Isolation Scheme, Essential Worker Leave Support and the Leave Support Scheme. Payments data have not been adjusted to account for money subsequently repaid by businesses.

Insights into who received the Wage Subsidy and Wage Subsidy Extension indicated the number of unique jobs supported. Unique jobs are defined as unique combinations of an employer and employee from the Wage Subsidy or Inland Revenue data. Employees can work for more than one employer, for example, a person with two part-time jobs - so each of these jobs is included in the total count. By including casual workers in the count, the construction industry reported that 101 per cent of unique jobs were supported, but for the purpose of this factsheet 100 per cent is reported.

Contact us

For further information on the data contained in this fact sheet, please email us: EIBuilding@mbie.govt.nz.

Teletrac Navman and Civil Contractors Construction Industry Survey

The Construction Industry Survey 2020 specifically aimed to explore the construction industry's response to sector issues and outlook, the impacts of COVID-19, and the future of sustainable procurements and supporting technologies. The survey was completed by 188 people; about half were from small to medium businesses and the other from large businesses (51+ staff).

ANZ Business Outlook

The ANZ Business Outlook is a leading barometer for the economy, relying on the input of New Zealand businesses. The information is collected from a monthly survey of businesses nationwide. The data provides a snapshot of business opinion on the future state (next 12 months) of the businesses and the overall economy.

ANZ Business Outlook is reported as a net index. This index is calculated by subtracting the percentage number of businesses that expect that the economic situation will decline from the number that expect a improvement.

ASB forecast

ASB publishes quarterly economic forecasts of local economic trends and key macroeconomic variables. ASB supplied MBIE with its residential construction forecast, as at 07 October, on a Building Work Put in Place basis and the regional building figures are seasonally-adjusted by ASB. ASB note that there is higher than usual economic uncertainty as a result of the COVID-19 pandemic, and construction demand will be influenced by trends such as house prices, the strength of the labour market and the net-migration component of population growth.

Other Statistics New Zealand data

Stats NZ reported on the impacts of COVID-19 on building projects here: [Impact of COVID-19 on building projects](#)

And labour market activity here: [COVID-19 slows labour market activity](#)

