# Construction fact sheet - January 2021

## State of the sector - What we know now

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

Gross Domestic Product:

### 52% increase

in Construction GDP from the June 2020 quarter to Sept 2020 quarter.

National Workforce:

### 278,300 people

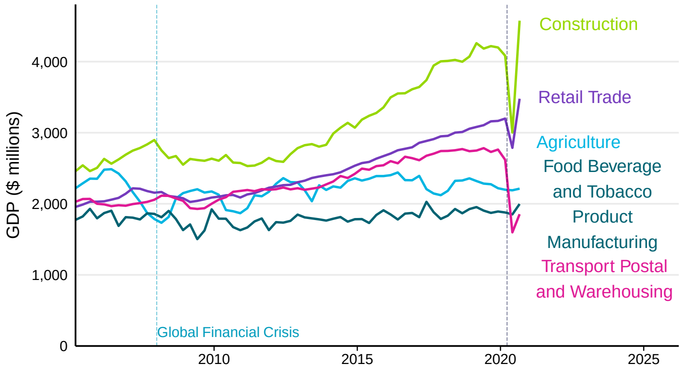
are employed in the NZ Construction Sector. This makes up 10% of the national workforce.

National Consent Value:

### 12% increase

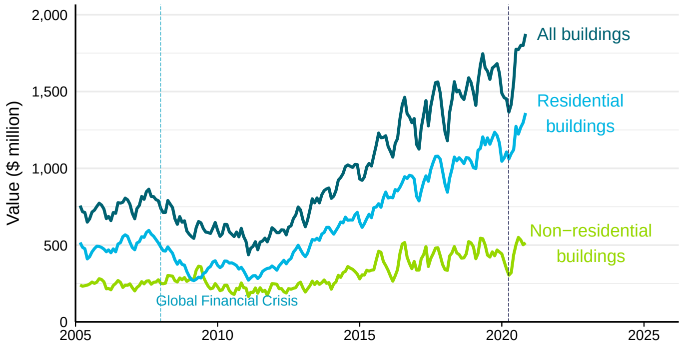
in value of consented new buildings of all types from Oct 2020 to Nov 2020.

**Construction GDP**
Data to 2020 Q3



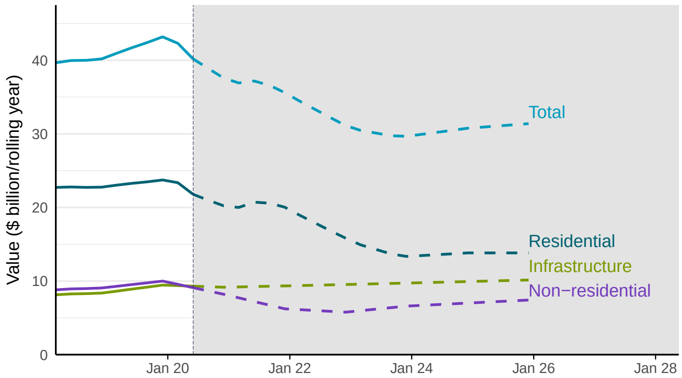

Dotted black line represents the first day of Alert Level 4
Data source: Statistics NZ GDP

**Total monthly value of new building consents by construction**
Data to November 2020




3 month rolling average
Dotted black line represents the first day of Alert Level 4
Data source: Statistics NZ Building Consents

**National Construction Activity Forecast**
Forecast from 2020 Q2, data to 2025 Q4




Data source: National Construction Pipeline Report 2020

## State of the sector

### The Construction Sector has fared better than expected after GDP recovers from a dramatic drop caused by COVID-19.

Construction activity has bounced back after a period of almost no activity except for essential building services. Currently demand for construction is high despite initial concerns for the sector due to its sensitivity to economic cycles.

In the June 2020 quarter, Construction Sector GDP decreased by 28 percent compared to the same quarter in the previous year. In the September 2020 quarter, GDP increased by 8 percent compared to the same quarter in the previous year. On a quarter by quarter basis GDP has increased significantly by 52 percent.[1]

### Continued high demand for residential buildings has put the Construction Sector in a good position. However, ongoing skill shortages and supply issues may impact the sector's ability to supply buildings.

Residential building consents have been increasing year on year. Residential building consents for the year ended November 2020 increased 4.2 percent to a total of 38,600 consents across New Zealand.[2] Although demand is high, factors on the supply side such as skill shortages and supply chain delays will negatively affect the industry's ability to meet this demand.

### Residential consent numbers are forecast to drop due to COVID-19 but the future remains uncertain.

The strong recovery in GDP and continued growth in consents is positive. However, the latest National Construction Pipeline Report released at the end of 2020 anticipates demand for residential construction to drop to 22,000 consents in 2022. For non-residential construction, it is forecast to peak in 2021. Infrastructure is forecast to remain strong as the Government has announced significant spending for infrastructure projects.[3]

Over the last few months, the Construction Sector has performed much better than expected but the future remains uncertain.

1 Statistics NZ GDP

2 Statistics NZ Building Consents

3 National Construction Pipeline Report 2020

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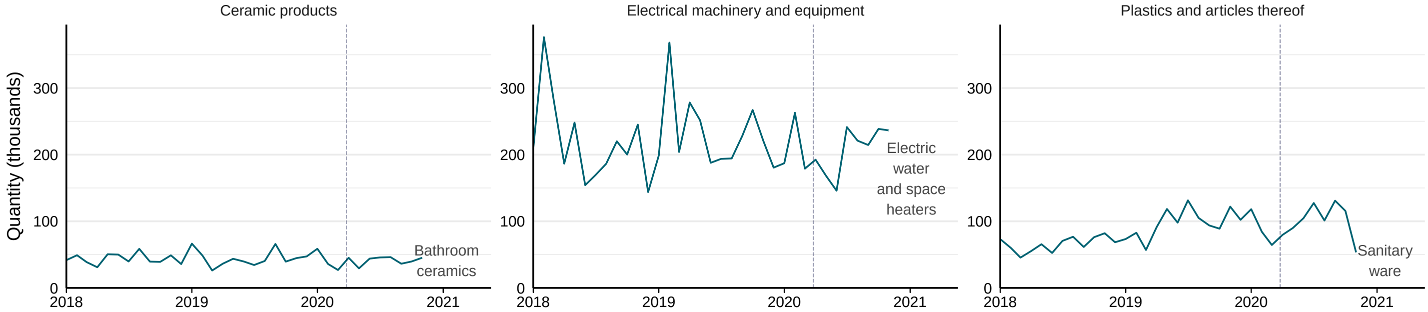
### Total quantity of building sector related imports

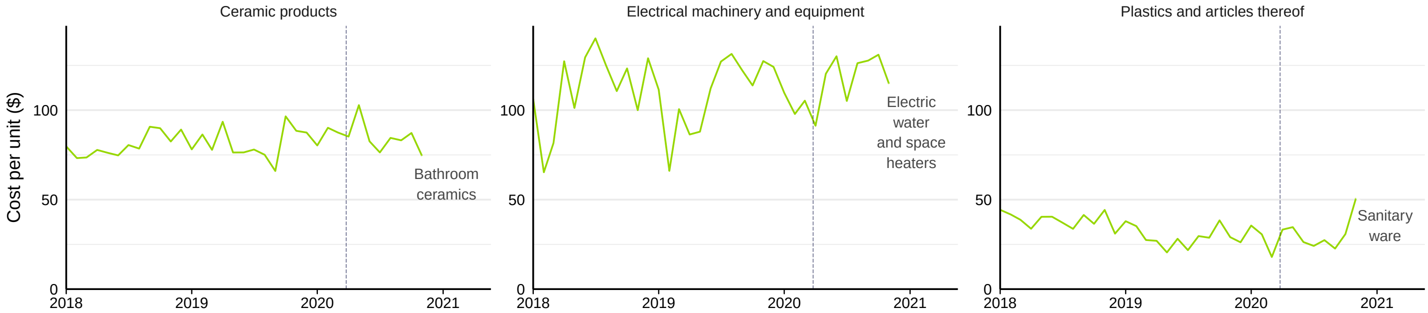
Data to November 2020




Dotted line represents the first day of Alert Level 4
Data source: Statistics NZ

### Cost of building sector related imports

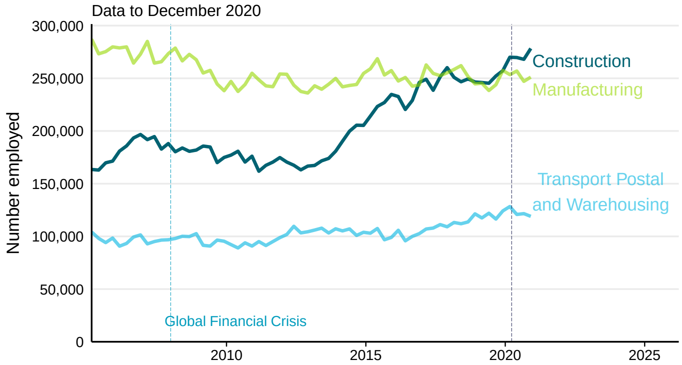
Data to November 2020




Dotted line represents the first day of Alert Level 4
Data source: Statistics NZ

### Employment in construction

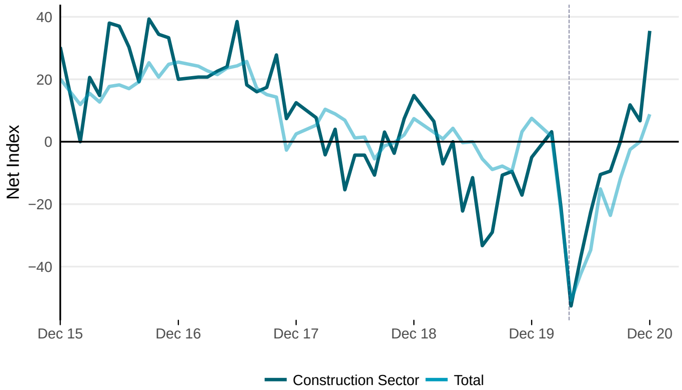
Data to December 2020




Does not include those employed in construction related industries
Dotted black line represents the first day of Alert Level 4
Data source: Statistics NZ Household Labour Force Survey

### ANZ Business Outlook: Employment

Data to December 2020




Percentage expecting increase minus percentage expecting decrease
Dotted line represents the first day of Alert Level 4
Data source: ANZ Research

## Construction projects will be negatively affected due to issues in the global supply chain and there are concerns about delivering projects on time.

Supply chain issues include:

- low global availability of shipping containers[4,5,6]
- increase in shipping costs that will flow onto construction costs[6]
- delays in the unloading, inspection and clearance of containers[4]
- ports and suppliers planned for a downturn by reducing orders and capacity which has affected their ability to meet higher than anticipated levels of demand.[7,8]

## Issues in supplying construction goods may increase the cost of building.

Shortages in buildings products such as plumbing, glass, electrical supplies have been identified. This will delay installations by tradespeople and flow on to the rest of the project.[8]

Since September 2020, imports of plastic sanitary ware have dropped but the cost per unit has increased. This is also reflected in the media sentiment from industry professionals however, it is too early to gather insight from this data.

4 Newsroom article: Why our ships haven't come in

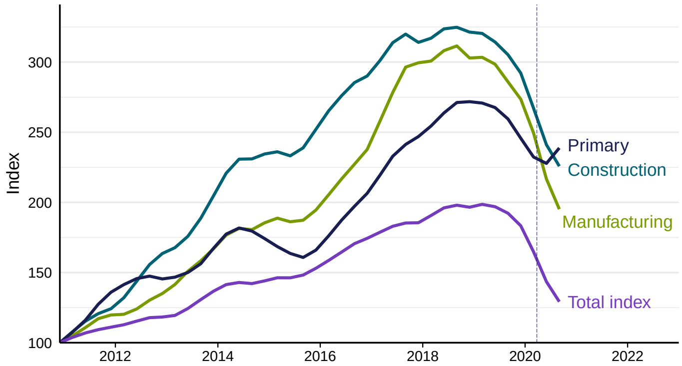
5 MFAT: Monitoring International Supply Chains

6 Stuff article: House building costs set to rise as labour shortages, supply constraints bite

7 Stuff article: A perfect storm at the ports: inside our freight and port delays

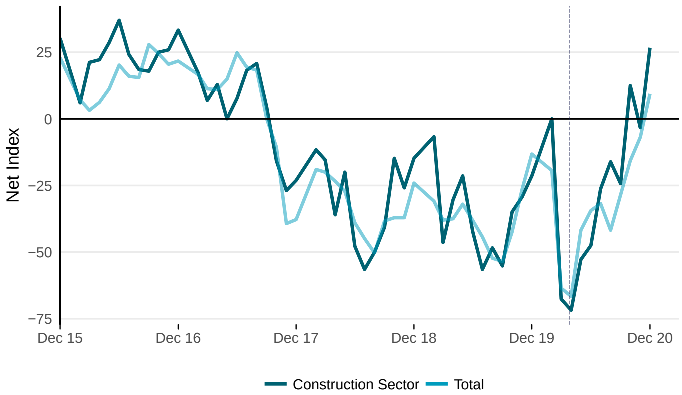
8 Stuff article: COVID-19 contributes to shortage of plumbing, electrical and glass supplies

**Online Job Advertisement Levels**
Data to September 2020



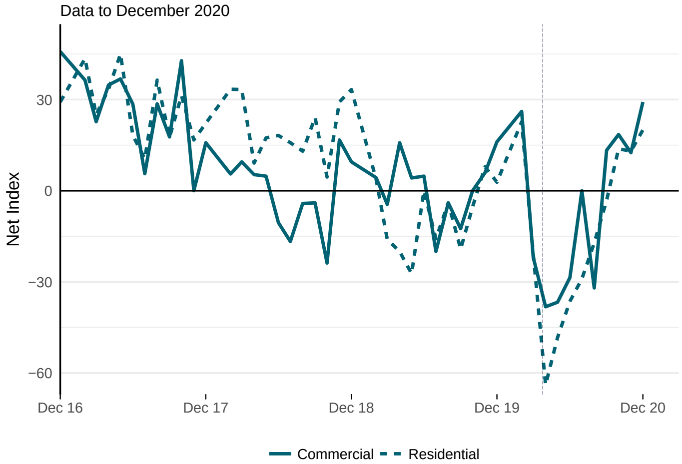

Dotted black line represents the first day of Alert Level 4
Data source: MBIE Jobs Online

**ANZ Business Outlook: Business confidence**
Data to December 2020




Percentage expecting increase minus percentage expecting decrease
Dotted line represents the first day of Alert Level 4
Data source: ANZ Research

**ANZ Business Outlook:**
**Commercial and residential construction intentions**
Data to December 2020




Dotted black line represents the first day of Alert Level 4
Data source: ANZ Research

## Employment

### Employment has dropped slightly but hiring intentions are relatively positive.

National Construction Sector employment in the September 2020 quarter decreased by 0.6 percent compared the previous quarter.[9] Due to COVID-19 related restrictions, jobs losses in the sector were expected and hiring intentions were relatively low.[10] However, in the December 2020 quarter employment increased by 3.8 percent to a total of 278,300 people. ANZ construction employment intentions are also now showing a more positive outlook.

The number of job advertisements in construction peaked around 2018 and has since decreased. However, more vacancies could be expected throughout the year as employment intentions are positive.

### Border closures continue to restrict migrant labour.

Ongoing border closures limit the ability of construction employers to alleviate skill shortages through migrant labour, however, there are now 16,000 apprentices in trades training.[11]

## Outlook

### As the Construction Sector has performed much better than expected, employment intentions and business confidence are relatively positive.

The results of the latest ANZ Business Outlook Survey show business confidence in the Construction Sector is relatively positive and has exceeded pre-COVID-19 levels. This is a similar trend for total sectors. Residential and commercial building intentions are also more positive and are now similar to the peak levels in February 2020 which was just prior to COVID-19 restrictions.

### Although there are reports of supply chain issues, business confidence and construction intentions remain high. This is likely driven by the sustained high demand for construction.

Sentiment during the early stages of the COVID-19 outbreak were more negative than positive. However, the prevailing conditions in the housing market may be contributing to the sentiment around construction intentions. Despite reports of supply chain issues, the full impact of it on the sector is too early to tell.

9 Household Labour Force Survey

10 Construction Factsheet July 2020

11 BCITO

# Data sources and glossary

## GDP

Gross Domestic Product (GDP) data is taken from Statistics NZ and presented in real terms. The latest total Construction Sector GDP is for the September 2020 Quarter. The first day of Alert Level 4 was 25 March 2020.

## Building Consents

This data is taken from Statistics NZ and covers the value of building consents issued for new 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.

## National Construction Pipeline Report 2020

The National Construction Pipeline provides a forward view of national building and construction activity over a six-year period. The report is based on building and construction forecasting by the Building Research Association of New Zealand (BRANZ), and data from building economics consultancy Pacifecon NZ Ltd on known non-residential building and infrastructure intentions.

## Construction Sector related imports

Construction Sector related imports is taken from Statistics NZ. Overseas merchandise trade statistics provide information on imports and exports of merchandise goods between New Zealand and other countries. This factsheet presents a selection of high value imports related to the Construction Sector. Import descriptions have been shortened to sit the chart.

## Household Labour Force Survey

The Statistics 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.

## 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.

## 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.

## Other sources

Newsroom article:
Why our ships haven't come in[1]

Ministry of Foreign Affairs and Trade (MFAT):
Monitoring International Supply Chains[2]

Stuff article:
House building costs set to rise as labour shortages, supply constraints bite[3]

Stuff article:
A perfect storm at the ports: inside our freight and port delays[4]

Stuff article:
COVID-19 contributes to shortage of plumbing, electrical and glass supplies[5]

Ministry of Business, Innovation and Employment (MBIE):
Construction Factsheet July 2020[6]

Building and Construction Industry Training Organisation (BCITO):
BCITO apprenticeships[7]

## Contact us

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

[1] https://www.newsroom.co.nz/why-our-ships-havent-come-in
[2] https://www.mfat.govt.nz/en/trade/mfat-market-reports/market-reports-global/mfat-monitoring-international-supply-chains/
[3] https://www.stuff.co.nz/business/property/123612700/house-building-costs-set-to-rise-as-labour-shortages-supply-constraints-bite
[4] https://www.stuff.co.nz/business/123732481/a-perfect-storm-at-the-ports-inside-our-freight-and-port-delays
[5] https://www.rnz.co.nz/news/business/434736/covid-19-contributes-to-shortage-of-plumbing-electrical-and-glass-supplies
[6] https://www.mbie.govt.nz/business-and-employment/economic-development/covid-19-data-resources/covid-19-economic-data/
[7] https://bcito.org.nz/news-and-publications/news/record-16000-apprentices/