

Construction fact sheet - July 2020

Impacts of COVID-19 and future outlook

Workforce:
258,100 people

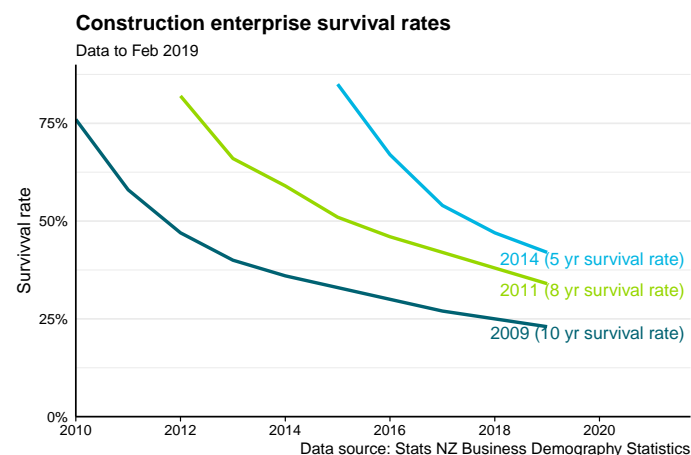
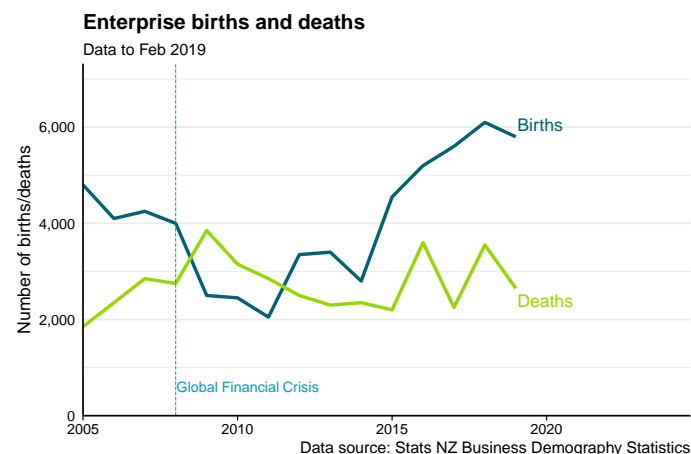
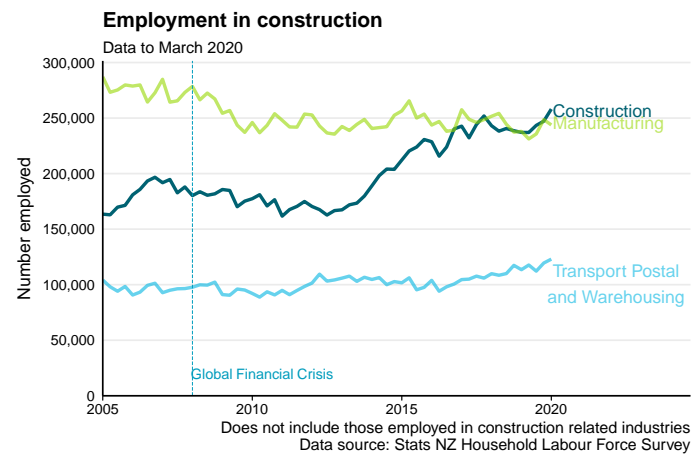
are employed in the sector which makes up 10% of the national workforce

Business support uptake:
\$1.5b

of the wage subsidy and other support payments were taken up by construction businesses

Business confidence:
Net -48%

More construction businesses expect worse times ahead than better



State of the sector pre-COVID-19

Construction is a major driver of growth and is the fifth largest sector in the New Zealand economy, generating 6.2 per cent of real GDP. It directly employs about 258,100 people in residential, heavy and civil construction, and construction services.

Employment

The impact on employment is unknown at present. There may be an exacerbation of skilled staff shortages but there is work underway to address the key challenges ahead

- Pre-COVID-19, there has been strong growth in construction sector employment since 2012 while related sectors have remained relatively consistent.
- Immigration plays an important role in the construction workforce.
- The impact on employment is unknown at present because of retrenchment. There may be a short-term exacerbation of skilled staff shortages which were already being experienced within the sector pre-COVID-19. COVID-19 disruptions affecting immigration may also hinder labour supply.

The [Construction Sector Accord](#)¹ (collaboration between construction sector leaders from across government and industry) which was launched pre-COVID aimed to address some of the key challenges facing the sector including the skills and labour shortages. The focus has now shifted to industry resilience and recovery through the Accord's COVID-19 Response Plan for the Construction Sector.

Construction enterprises

The impact from COVID-19 on the births and deaths of enterprises is too early to see

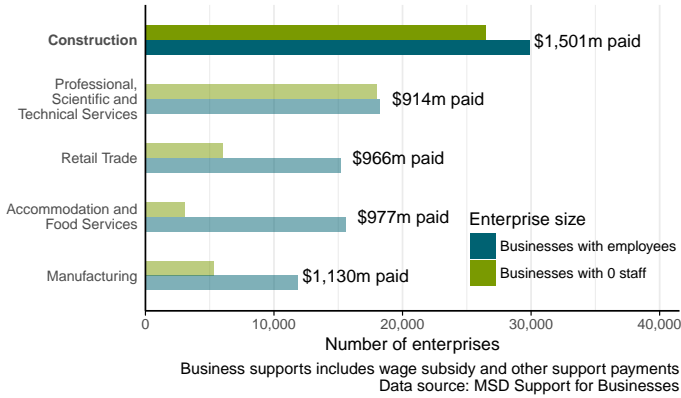
In recent times the boom in construction has seen a net gain of new enterprises but during the three years following the Global Financial Crisis (GFC) in 2007-2008, there were more enterprise deaths than births. COVID-19's impact on enterprise turnover is too early to see. However, the applications for government support for businesses show a significant number of construction businesses (56,300) needed support in the form of wage subsidy or other support payments.

¹ <https://www.constructionaccord.nz/>



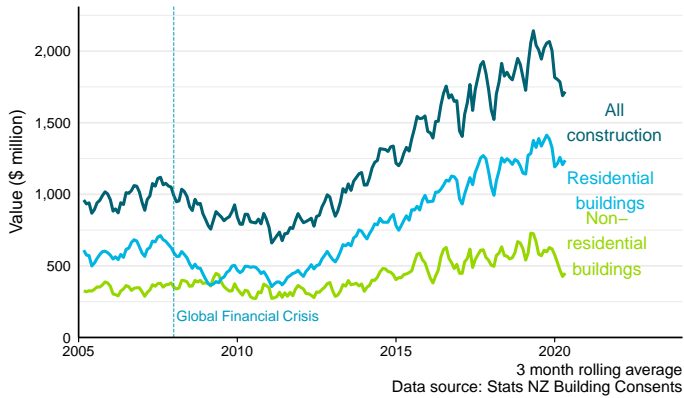
Total uptake of business support by industry

Data covers 17 March to 15 May



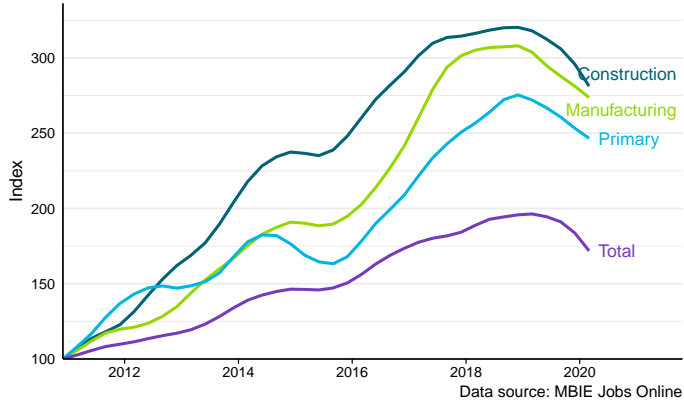
Total monthly value of building consents by construction type

Data to May 2020



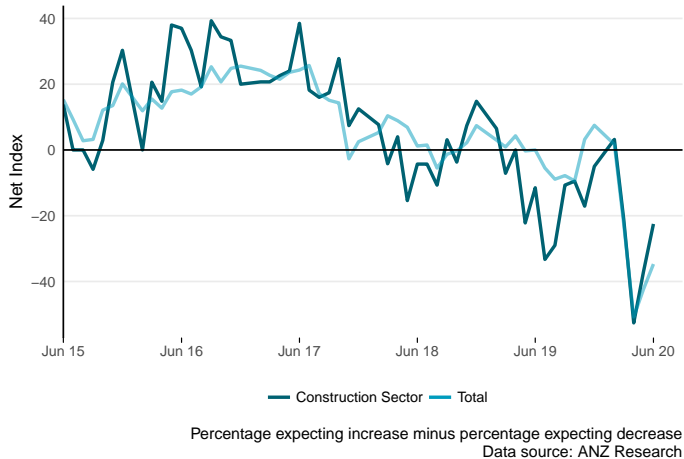
Online Job advertisement levels by industry

Data to March 2020



ANZ Business Outlook: Employment

Data from June 2015 to June 2020



The survival rate for construction firms is considered average for firms in New Zealand. COVID-19 disruptions may see a significant decrease in survival rates for construction enterprises which have not had enough time to establish themselves in the market.

Activity

The majority of the workforce was unable to work during the Alert Level 4 restrictions and the sector was the top recipient of the Government's business support²

During the Alert Level 4 restrictions, construction businesses were only allowed to undertake essential infrastructure work or work that addressed immediate health or life safety risks. This negatively impacted construction businesses and the industry had the highest proportion of wage subsidy and other business support payments¹. At subsequent Alert Levels, businesses could reopen but physical distancing was still in place which likely reduced productivity and limited the number of staff on a worksite.

During times of economic downturn such as the GFC in 2007-2008, building consent numbers have been negatively impacted. The total number and value of new building consents (residential and commercial) is likely to drop due to COVID-19. However, low interest rates may attract those who are prepared to build.

Activity at level 1:

- Anecdotally, those in trades may have a backlog of jobs that were developed pre-Alert Level 4 and during it. This backlog is expected to maintain business in the short term.
- NZTA states that most of their maintenance and construction activity is already underway however not all worksites will be fully operational at Alert Level 1.

Online job advertisements have decreased but there is support for apprenticeships and study

A fall in job vacancies advertised online during the March 2020 quarter is seen across all regions, industries, occupations and skill levels. Over the year there has been a large decrease in online advertisements for construction jobs (down 11.6 per cent from the same time last year). For the same period, the biggest decreases were in low-skilled and semi-skilled jobs. Although employment steadily increased pre-COVID-19, the decrease in advertisements indicates lower business confidence and therefore lower confidence to hire new staff. Employment outlook based on the ANZ Business Outlook Survey is also showing low employment intentions for the future.

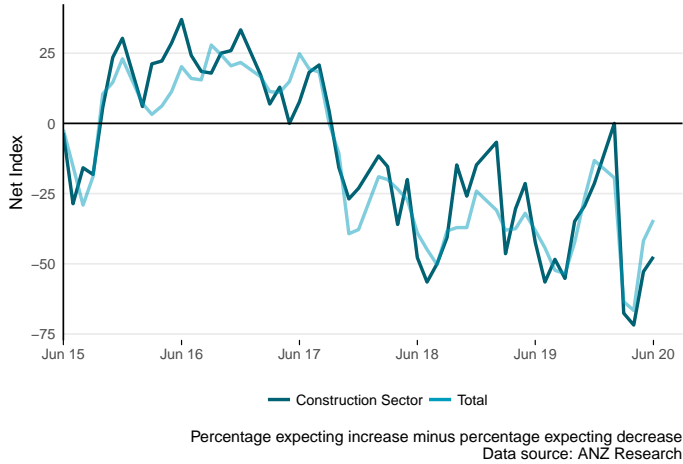
The Government has announced fee support for construction-related training programmes and an apprentice support scheme to help businesses keep people on and give them confidence to take on new apprentices. These initiatives aim to develop the skills and capacity needed for the economic recovery and rebuild.

²25 per cent of businesses that received business support could not be allocated into an industry group. The construction sector therefore had the highest uptake where the industry information was known.



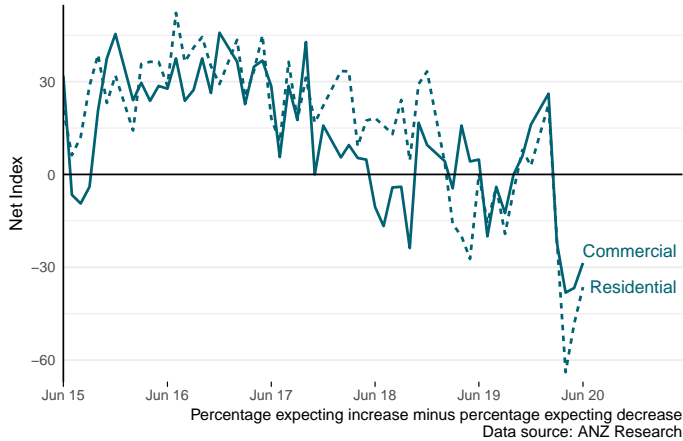
ANZ Business Outlook: Business confidence

Data from June 2015 to June 2020

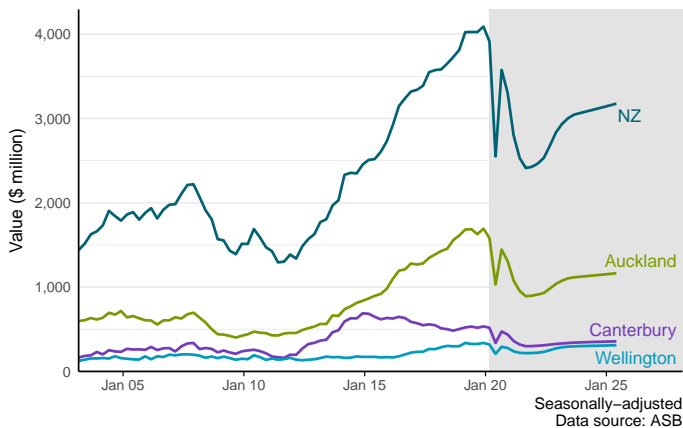


ANZ Business Outlook: Commercial and residential construction intentions

Data from June 2015 to June 2020



ASB residential construction forecast



Outlook

More construction sector businesses expect worse times ahead than better, but infrastructure projects aim to fast-track construction activity

The results of the ANZ Business Outlook Survey showed more construction businesses have low business confidence than high. Similarly, commercial and residential construction intentions have fallen significantly since February 2020.

Construction intentions are measured as a net figure based on the percentage expecting increase minus the percentage expecting decrease. In February commercial construction intentions were relatively positive (net 26 per cent), falling sharply by April (net -38 per cent). Residential construction intentions fell from net 23 per cent to net -64 per cent over the same period. Since May 2020, construction intentions have improved slightly but remain relatively negative.

The [Infrastructure Reference Group](#)³ will help drive a pipeline of fast-tracked construction activity as part of the economic recovery and rebuild. The types of projects considered for funding include water, transport, clean energy and buildings. These projects would also have public or regional benefit.

After a period of record highs, construction demand is expected to fall over the coming years alongside the decline of other economic activity

- Treasury's main economic forecast shows a large decline in total economic activity for the June quarter and a contraction in real GDP. Unemployment is cushioned by the Government support.
- ASB forecasts a fall in construction demand for housing and commercial projects as a result of the projected COVID-19-induced recession. There is an opportunity for spare capacity in the construction sector arising from a fall in private-sector demand to be redirected for Government projects⁴.

³ <https://www.crowninfrastructure.govt.nz/iirg/>

⁴ Construction capacity may not necessarily be easily transferred between residential, commercial and infrastructure projects due to differing skill and resource requirements.



Data sources and glossary

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.

The workforce figure at January 2020 of 258,100 was taken from the HLFS and is less than more widely quoted figure of 272,700 in Q1 of 2019. This does not necessarily mean there was a decrease in the number of people employed in the workforce. The difference is likely due to the data sources used. The larger of the figures was calculated from a combination of Stats NZ Linked Employee-Employer Data (LEED) and the IDI which included those employed in construction related industries. Construction related industries include professional, scientific and technical services (i.e architectural services, engineering design and engineering consulting services) and manufacturing (i.e prefabricated metal and building manufacturing). The HLFS excludes people who have been living in New Zealand for less than 12 months, and who do not propose to stay in New Zealand for a total of 12 months or more.

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.

Support for Businesses

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. Most industry information is obtained via matching to Inland Revenue data however 25 per cent of businesses could not be allocated to an industry and were classified as 'unknown'.

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.

Contact us

For further information on the data contained in this fact sheet, please email us: E&ICOVID-19EvidenceBase@mbie.govt.nz.

NZTA update

NZTA gives COVID-19 service updates. See their website for more information: www.nzta.govt.nz

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 through vacancies by industry, occupation, skill-level and region.

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 improve from the number that expect a decline.

Treasury Budget and Fiscal Update

The Budget Economic and Fiscal Update 2020 was published on 14 May 2020. The Economic and Fiscal Updates provide a detailed statement of the Government's financial position including updated economic and fiscal forecasts, analysis of the fiscal position and a summary of specific fiscal risks.

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 29 June, 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.

