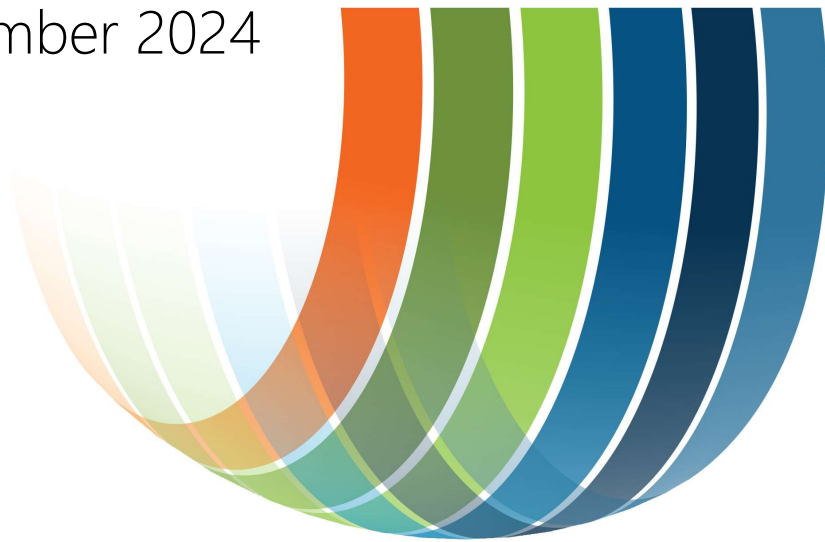


Quarterly Market Insights for ConcreteNZ

November 2024



Infometrics

Economics put simply

Authorship

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Insights and commentary

This section provides some snapshot insights into construction-related topics since the last report.

Inflation down to 2.2%pa

Inflation is back within the Reserve Bank's 1-3%pa target band for the first time since March 2021, slowing from 3.3%pa in June to 2.2%pa in the September quarter. The quarterly increase of 0.6% was slightly below both our pick and the market's pick of 0.7%, as well as the Reserve Bank's forecast of 0.8% published in August. There were a lot of changes to government-related charges in the September quarter that affected the headline result. Increases included a 12% lift in local government rates (the largest since 1990, contributing over half the quarterly increase in the CPI) and the reintroduction of prescription charges (contributing 15% of the CPI increase). These rises were mitigated by the removal of Auckland's 10c/L regional fuel tax, and a 23% reduction in early childhood education costs due to the introduction of the FamilyBoost rebate. Residential building costs recorded their smallest annual rise since 2019, at 2.5%pa. The 0.1% quarterly increase in costs was the smallest since 2011, reflecting lower timber prices and increased competition for work as demand conditions in the residential construction industry have weakened significantly.

Unemployment rate at almost four-year high

The unemployment rate rose to 4.8% in the September 2024 quarter from 4.6% (seasonally adjusted) in June. The lift was less than analysts had anticipated (5.0%), but the rate was still at its highest level since December 2020. Employment fell 0.5% between June and September, and the 0.4%pa drop from June 2023 was the first annual decline since 2012. The labour force participation rate fell from 71.7% to 71.2%, the lowest rate since June 2022, limiting the unemployment rate from rising as much as expected. Growth in the labour cost index moderated to 3.8%pa in September 2024, down from 4.3% in the previous quarter to its slowest rate in two years, with the lack of job opportunities driving wage growth down as competition for roles continues to rise.

House prices down on a year ago

House prices edged up 0.6% in September from August (seasonally adjusted) for the first time since April, after months of decline. But on an annual basis, house prices remain lower than a year ago, down 0.4%pa. House sales in September rose 1.8% from August (based on Infometrics seasonal adjustment) but were 1.1%pa lower than a year ago. House sales remain volatile, making it difficult to gauge any shift in trend, although sales are still tracking broadly sideways. The stock of properties for sale rose 0.3% from August – the tenth consecutive monthly rise – and the stock of properties available for sale is just above 33,000, equivalent to nearly half a year of sales. New listing numbers rose 5.5% from August, largely reversing the 5.7% fall in the previous month, to remain higher than a year ago (up 19%pa). Potential buyers will continue to have wider choice in the market, as the stock of property for sale remains high. As excess stock remains on the market, we expect house price growth to remain relatively subdued.

Consents rise, too early to call the trough

Annual consents rose narrowly to 33,677 over the year to September 2024, up 1.6% from September last year. Standalone house consents rose 15% from September last year. The annual standalone house total has increased for three consecutive months for the first time since October 2021 and is now down just 5.1%pa from the year to September 2023. We might be starting to see the stabilisation in standalone consent numbers that we have been forecasting. Weakness in townhouse consents numbers continues to be a drag on overall dwelling consents, although this is likely more of a reflection in longer lead times associated with multi-unit developments. It remains too early to call the trough in overall residential consents as we are yet to see an obvious trend in dwelling consent numbers, and attached dwellings (excluding retirement units) remain weak.

Non-res consents continue to weaken

Total non-residential consents fell 2.2%pa in September 2024, to \$644m. The value of consents for the quarter was up 2.1% from a year earlier, but growth was only in positive territory due to an unusually strong month for offices in August. Activity appears to be particularly under pressure throughout much of the middle of the North Island, with consents in Waikato, Bay of Plenty, Gisborne, and Hawke's Bay over the last quarter running below the nationwide trend. Consents in Otago and Southland are also showing signs of tapering off. There are enough planned projects in the pipeline to lead to a temporary rally in consents in the final quarter of 2024. However, we expect further falls in consents throughout 2025 as construction activity responds to tough economic conditions and reduced demand for space.

Construction activity declines as expected

Building work put in place fell 0.2% in the June 2024 quarter from the quarter before. Overall, the decline in total building work put in place continues to progress as expected, with activity just 0.1% above our forecast in the June quarter. The drop was driven by a 0.7% fall in residential activity, with a smaller 0.1% fall in non-residential activity (all figures seasonally adjusted). The level of building activity in the June quarter was 6.1% lower than a year earlier, the largest annual decline since the Delta-lockdown-affected September 2021 quarter. The volume of non-residential work fell 1.8%pa, the first annual fall for non-residential work volumes since the start of 2022. This fall reflects the shift in trend for this building type, with the reduction non-residential consent values over the first half of 2024 pointing towards a continued slowdown in non-residential work put in place.

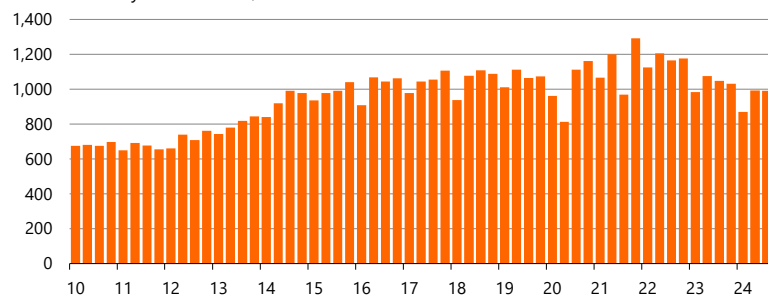
Despite interest rates starting to track lower following the first cut of the official cash rate from the Reserve Bank, building activity is still falling and it is too soon to start thinking about an upturn in activity, particularly given the tendency of non-residential construction to lag the rest of the economic cycle. We continue to forecast that overall construction activity will weaken throughout the remainder of 2024. The September 2024 quarter building work put in place data was aligned with our forecast at the aggregate level, suggesting the pace of this downturn is continuing to progress as expected.

Concrete activity

Graph 1

Concrete volumes

National ready mix concrete, 000 m³



National ready-mix concrete volumes fell 5.5%pa in the September 2024 quarter. Canterbury was the one bright spot, with volumes increasing 8.9%pa.

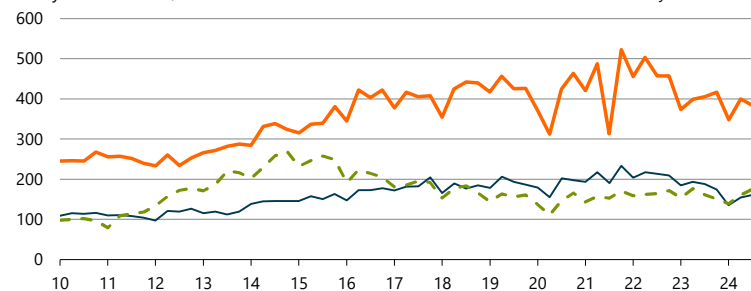
Volumes remain weak across all regions. The steepest fall occurred in Waikato/Bay of Plenty, down 14%. The rest of the South Island saw the second largest fall, down 11%. The remaining three regions saw similar falls, Gisborne/Hawkes Bay down 5.9%, followed by Northland/Auckland down 5.5% (driven by a weaker Auckland result) and Taranaki/Manawatu Whanganui/Wellington down 5.3%.

Concrete volumes are likely to see further declines as construction activity dips over the next 12-18 months. Infrastructure presents the most positive outlook for concrete demand, although time for design and planning of projects, and tight funding conditions will limit growth in civil work.

Graph 2

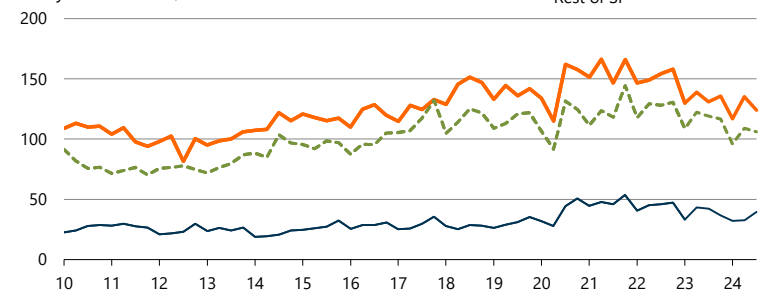
Regional concrete volumes - major areas

Ready mix concrete, 000 m³



Regional concrete volumes - minor areas

Ready mix concrete, 000 m³

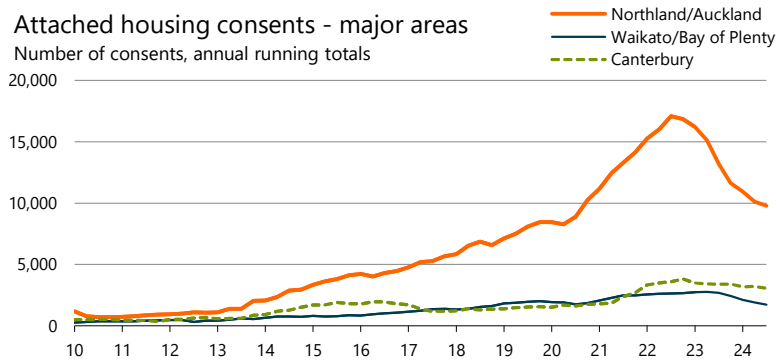


Building consent activity

Graph 3

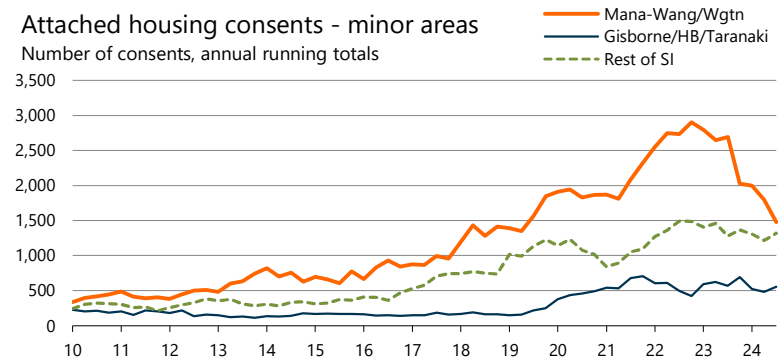
Attached housing consents - major areas

Number of consents, annual running totals



Attached housing consents - minor areas

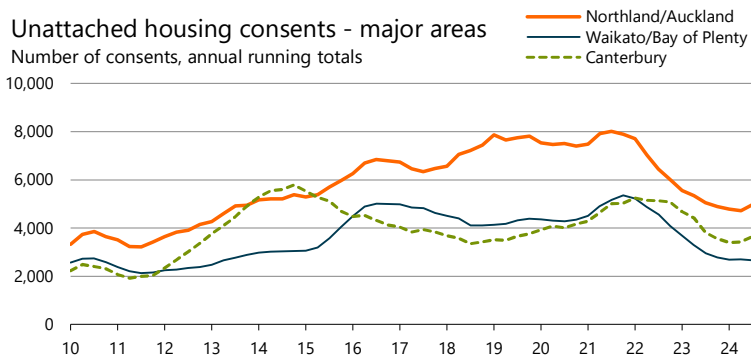
Number of consents, annual running totals



Graph 4

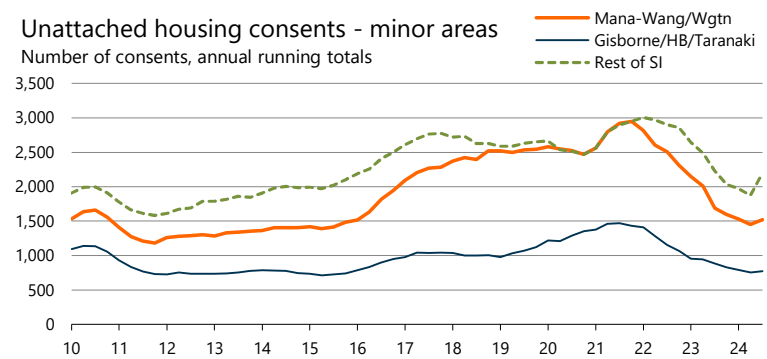
Unattached housing consents - major areas

Number of consents, annual running totals



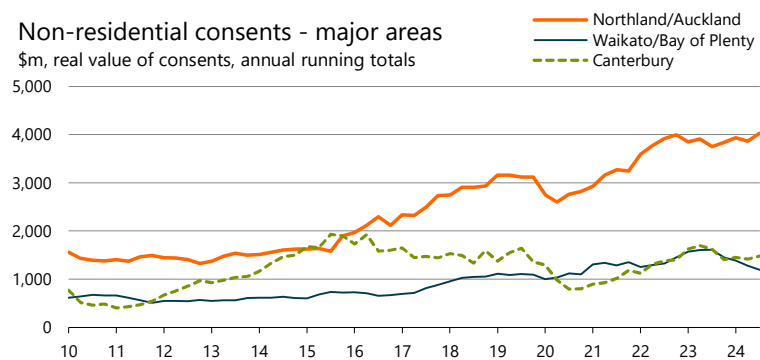
Unattached housing consents - minor areas

Number of consents, annual running totals

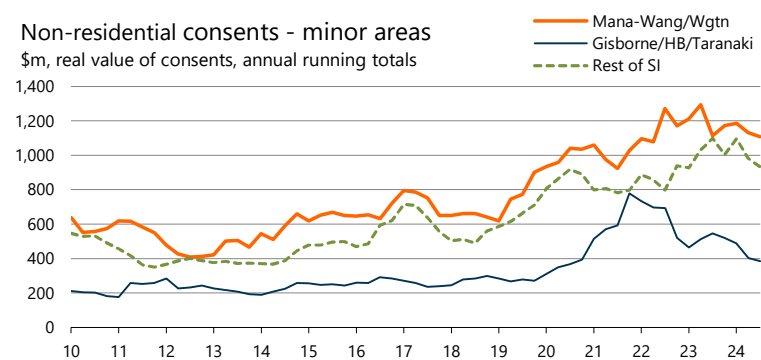


Graph 5

Non-residential consents - major areas
\$m, real value of consents, annual running totals



Non-residential consents - minor areas
\$m, real value of consents, annual running totals

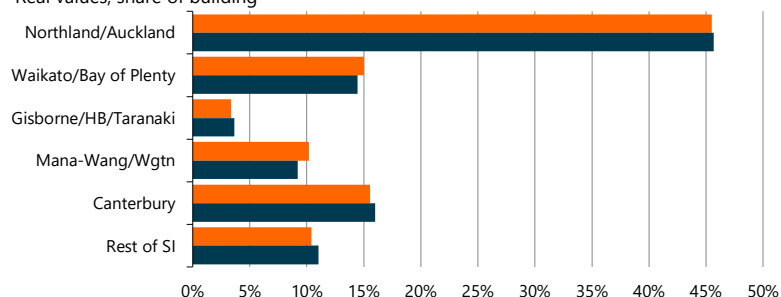


Work put in place activity

Graph 6**WPIP - residential**

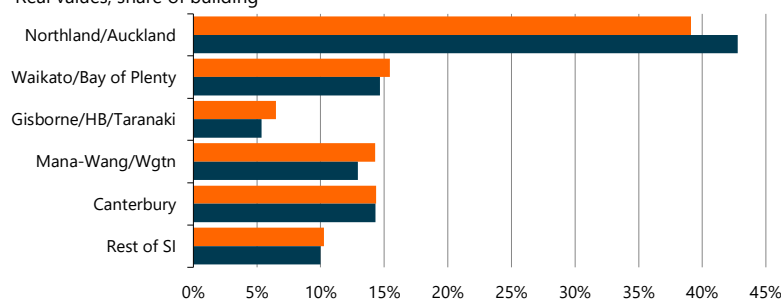
Real values, share of building

Jun-23 Jun-24

**Graph 7****WPIP - non-residential**

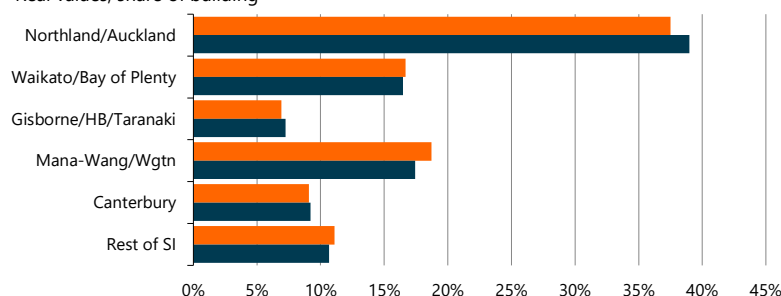
Real values, share of building

Jun-23 Jun-24

**Graph 8****WPIP - infrastructure**

Real values, share of building

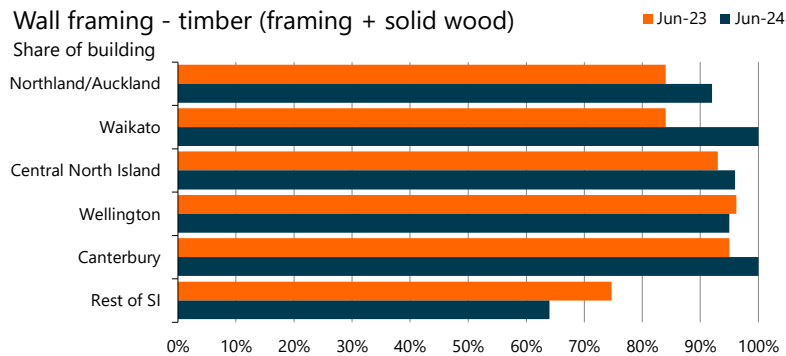
Jun-23 Jun-24



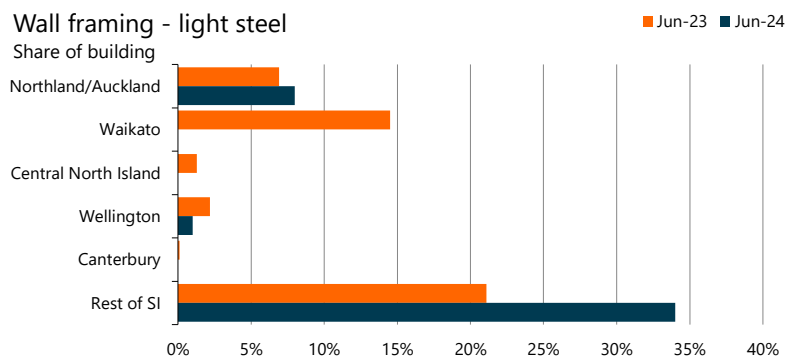
Materials and activity trends

Wall framing materials – share of building

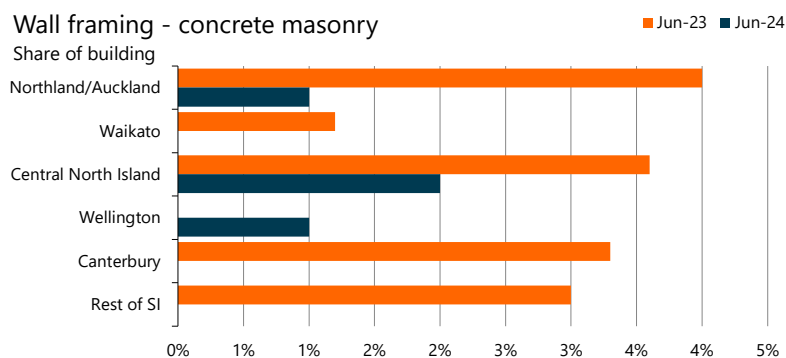
Graph 9



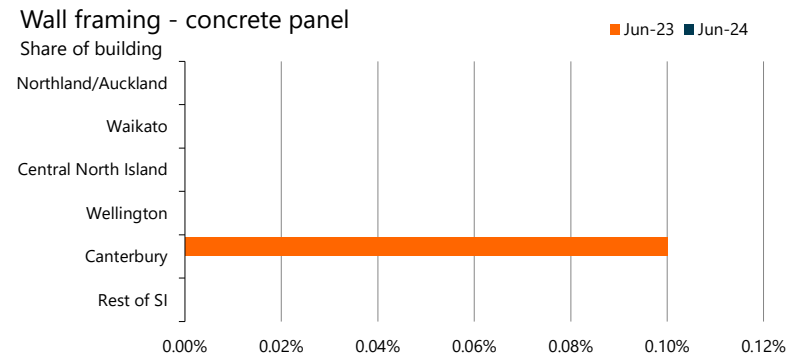
Graph 10



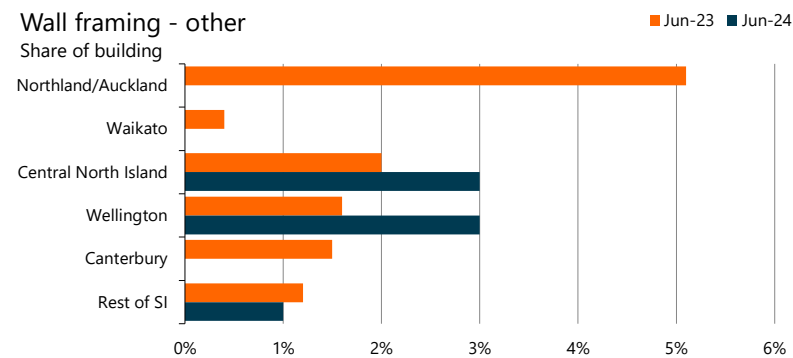
Graph 11



Graph 12

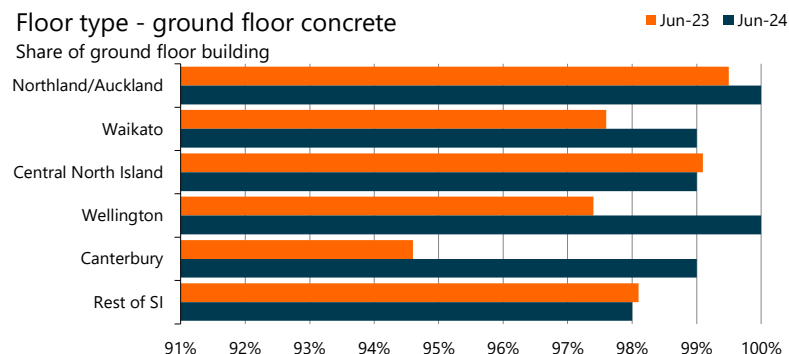


Graph 13

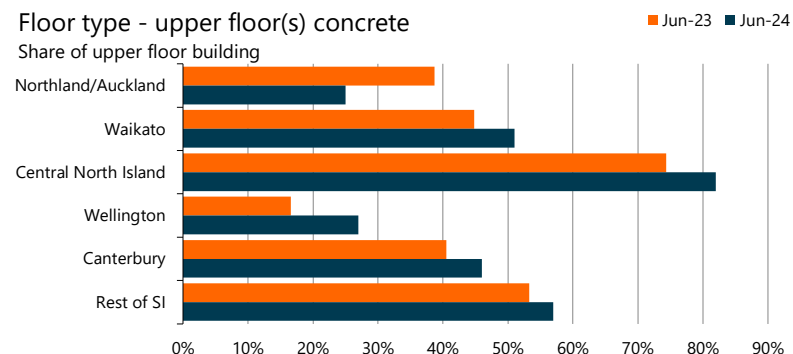


Floor type – share of building

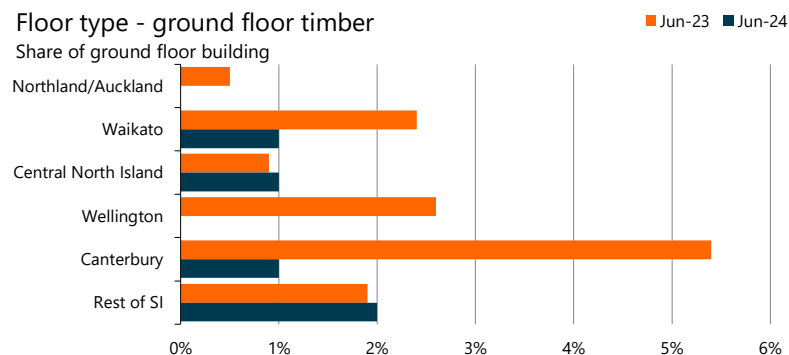
Graph 14



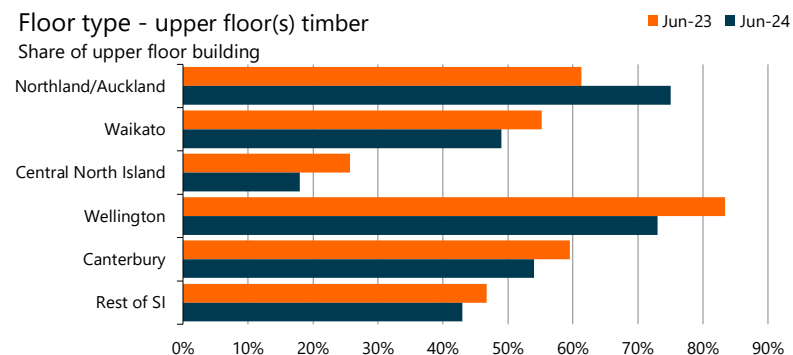
Graph 16



Graph 15

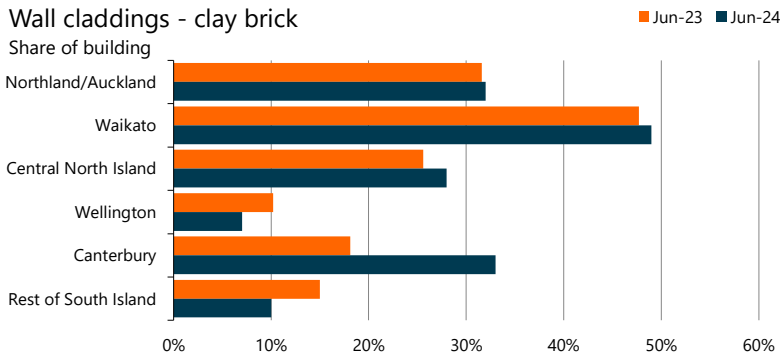


Graph 17

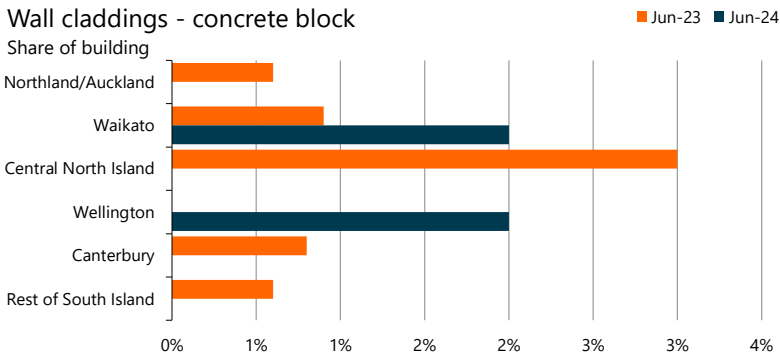


Wall Cladding – share of building

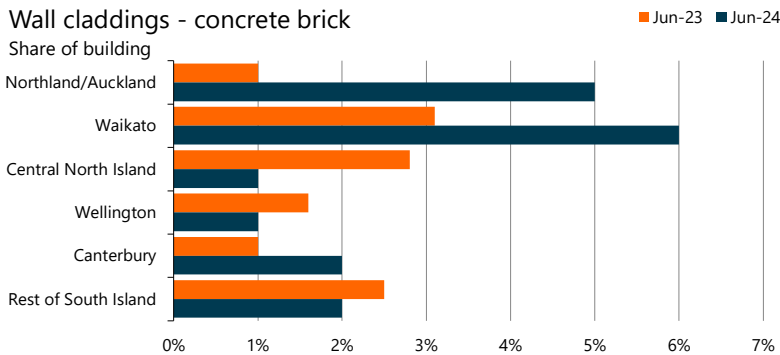
Graph 18



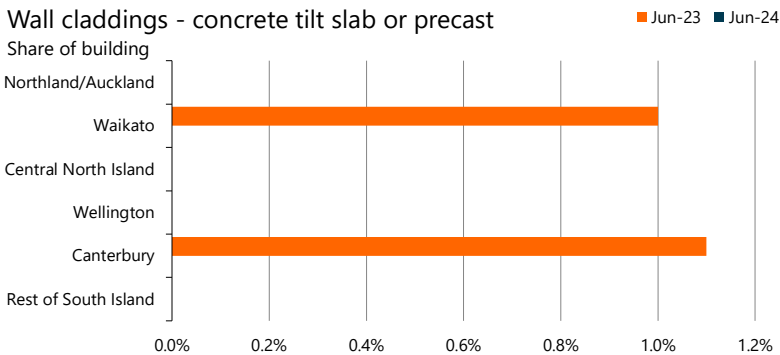
Graph 20



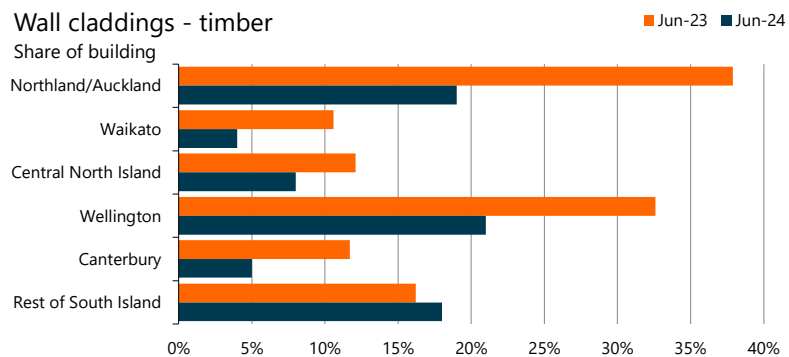
Graph 19



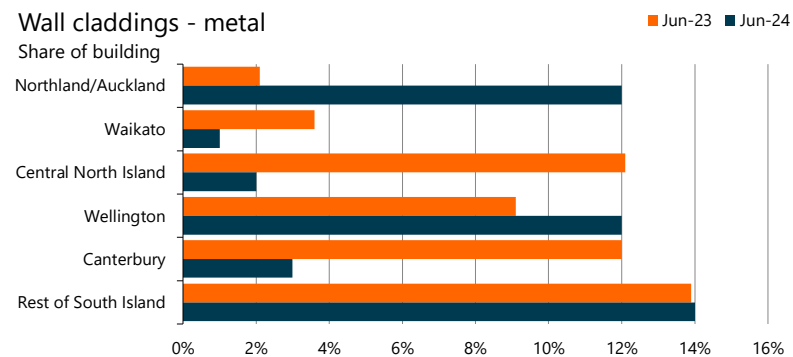
Graph 21



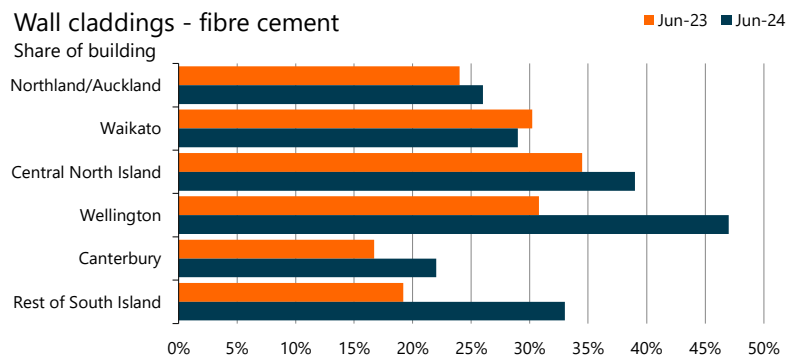
Graph 22



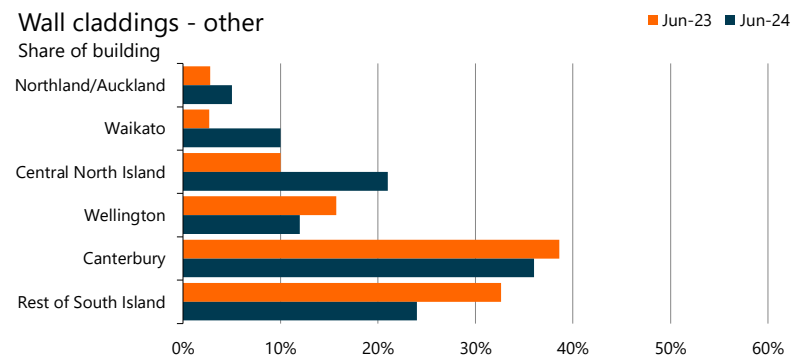
Graph 24



Graph 23

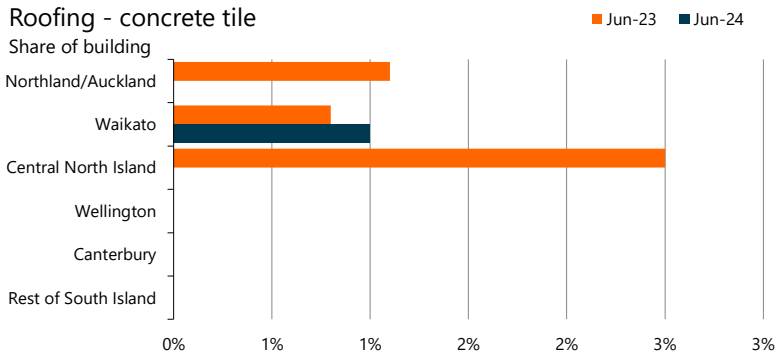


Graph 25

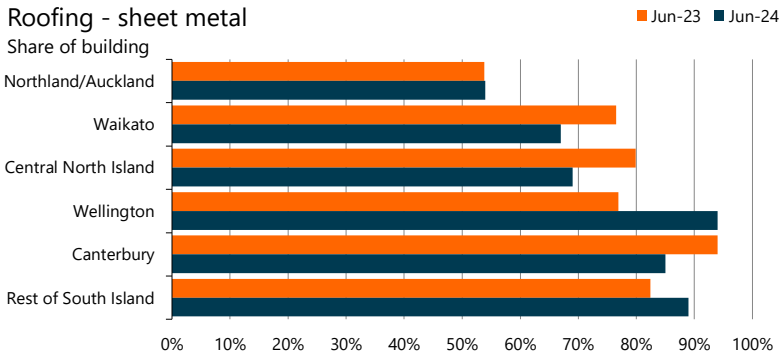


Roofing – share of building

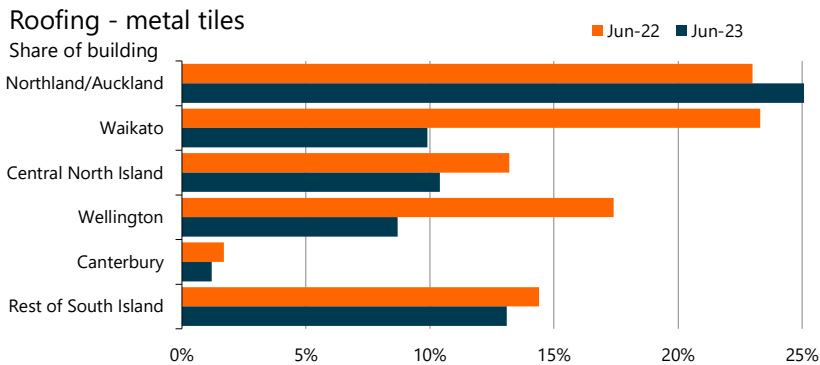
Graph 26



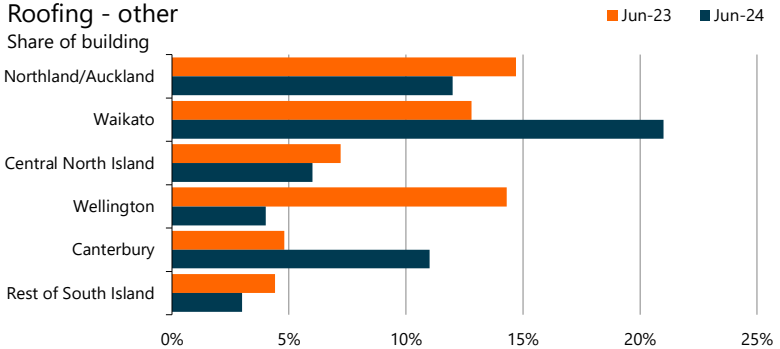
Graph 28



Graph 27



Graph 29



Data notes and glossary

All data is correct at time of printing but may be subject to revisions.

Concrete activity

Ready mix concrete data is sourced from Statistics New Zealand. This data is collected from each ready-mix concrete plant in New Zealand. Reporting is mandatory. It is compiled by Statistics New Zealand two months after the end of the quarter.

Building consent activity

Consent data is sourced from Statistics New Zealand. This data is collected from each individual council and compiled by Statistics New Zealand with a one-month lag. It measures the number of consents lodged to undertake work – it does not signal work is underway.

Attached housing refers to apartments, townhouses, and retirement units. The volume of consents is shown.

Unattached housing refers to standalone housing. The volume of consents is shown.

Non-residential consents are given as values in real dollars (inflation adjusted). The value of consents is shown due to the extremely variable nature of non-residential consents.

Work put in place activity

Work put in place (WPIP) data is sourced from Statistics New Zealand. This data is collected through the Quarterly Business Activity Survey, and compiled by Statistics New Zealand and released three months after the end of the quarter. It measures the value of actual work completed during the quarter.

Infrastructure data is sourced from the Infometrics Infrastructure Pipeline Profile.

All WPIP data is provided as regional shares within each building type. The shares are based on real (inflation-adjusted) values.

Materials and activity trends

Building materials are sourced from BRANZ.

Materials and activity trends are shown as regional shares of each building product, to allow for comparisons of what products are growing in what areas.

Wall Cladding – ACC Panels refers to Aerated Concrete Panels.

BRANZ Areas

Northland/Auckland	Auckland, Franklin, Far North, Manukau, North Shore, Rodney, Whangarei, Waitakere
Waikato	Hamilton, Waikato, Waipa
Central North Island	Gisborne, Napier, New Plymouth, Rotorua, Tauranga, Thames - Coromandel, Western Bay of Plenty
Wellington	Hutt, Kapiti, Porirua, Palmerston North, Wellington
Canterbury	Christchurch, Waimakariri
Rest of South Island	Dunedin, Invercargill, Marlborough, Queenstown, Southland, Tasman