

Construction activity recovers from Delta

Our take on the latest Building work put in place (8 March 2022)

The key numbers...



Total construction activity rose 8.9% (sa) in December



Non-res construction rose 16% (sa)

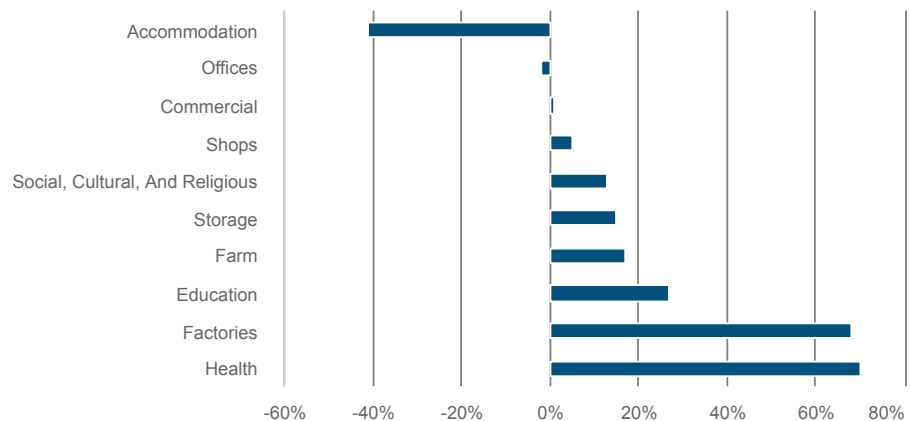


Building cost growth intensifies further

- Building activity in the December quarter rose 8.9% (seasonally adjusted), recovering strongly from Delta restrictions in the September quarter, and leaving total activity 4.6%pa higher than a year ago.
- Non-residential building had the stronger bounce back in December, after suffering the hardest hit in the September quarter. Construction activity bounced back 16% (seasonally adjusted) in December, following a 12% decline in September.
- Residential building also had a bounce back in construction activity, increasing 5.2% from September (seasonally adjusted), to sit 4.5% higher than a year earlier.
- The impact of rising costs is evident, with the nominal value of activity rising significantly faster than the underlying volume of work. In nominal terms, residential and non-residential building activity was 19% and 13%pa higher in December, compared to the 4.5% and 4.7%pa real increase.
- The impact of COVID remains evident in non-residential construction, with accommodation building activity having declined 41%pa in December, although hospital construction rose 70%pa. Factory growth was also very strong, up 68%pa.

Construction activity by building type

Annual % change



...and our reaction

- The bounce back from the Delta lockdown in September was to be expected, but future growth will become increasingly difficult.
- Building costs are rising incredibly fast, particularly in the residential sector, which has a higher labour intensity.
- Firms are struggling with supply chain disruptions on top of an incredibly tight labour market. Cost growth is expected to pick up further, especially in the first half of 2022, and

will be exacerbated by the current Omicron wave hitting the country.

- Consents for both residential and non-residential construction were strong throughout 2021, however translating those building intentions into activity is increasingly taking longer and costing more.

Want to know more?

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