



Q4 2018: New Zealand Construction and Infrastructure Survey

Skills and labour shortages, material costs remain a drag on activity

- Contributors continued to report a moderate increase in workloads across the board
- The outlook for margins is little changed, as robust demand is offset by skills shortages and material costs
- Infrastructure pipeline remains strong, respondents highlight the need for new projects

Respondents to the 2018 New Zealand Construction and Infrastructure survey continued to highlight increasing headline workloads during Q4 of 2018. As shown by Chart 1, workloads on infrastructure, commercial, and public residential projects showed the fastest pace of increase (in net balance terms).

Chart 2 indicates that the pipeline for new projects remained robust, as new business enquiries and new workloads increased at a faster pace than in Q3. Despite robust demand and relatively little changes in payment delays, contributors noted little change in profit margins for the second consecutive quarter.

This can perhaps be attributed to both a shortage of skills and shortage of labour. As shown by Chart 3, these two factors remained the key constraint to activity for the second consecutive quarter, cited by 82% and 73% of survey respondents respectively. Chart 5 shows that 73% of respondents highlighted a shortage of quantity Surveyors and commercial Managers, followed by carpenters and joiners (69%), construction managers (65%), plumbers (56%) and plasterers (55%).

Although financial constraints were cited by 62% of respondents as holding back activity in Q4, respondents did not report any

deterioration in credit conditions during the fourth quarter. 68% reported no change, and Chart 6 indicates that this environment is expected to persist throughout 2019.

The financial constraints may be more attributable to a flat outlook for profit margins, as seen in Chart 4. Although demand remains robust, companies are having difficulty sourcing labour and coping with material price inflation. 73% of respondents reported material costs as a constraint on activity in Q4, up from 65% in Q3. In net balance terms, the material costs are seen increasing over the next twelve months (Chart 4).

The pipeline for infrastructure remains strong, with respondents reporting an increase in workloads across all of the key market segments (Chart 7). Although airports reportedly saw the strongest pace of increase in workloads in Q4 (in net balance terms), only 2% of respondents expect this to persist over the next year.

Respondents were split over whether harbours and ports (33% of respondents), water and utilities (25% of respondents) or roads (19% of respondents) would see the quickest pace of increase in workloads over the next twelve months (Chart 8).

Chart 1: Workloads

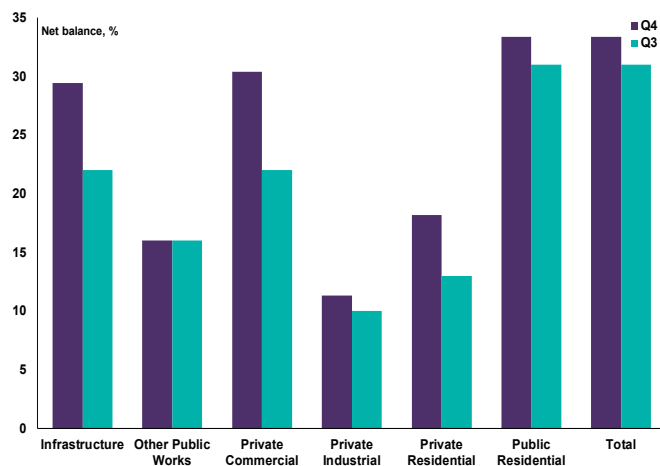
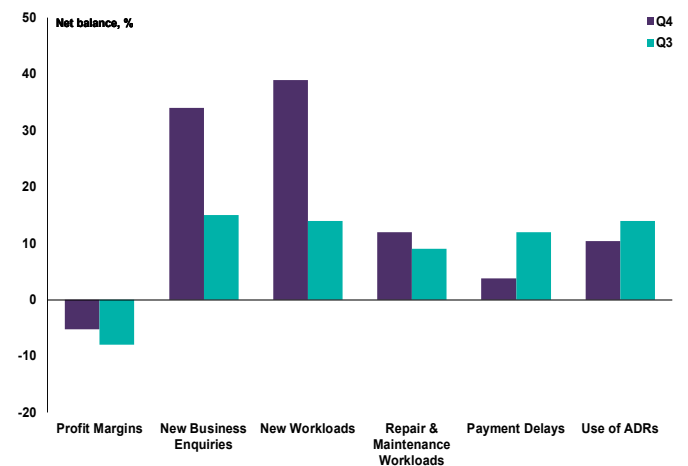


Chart 2: Enquiries & Workloads



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Commercial Property Market

Chart 3: Factors Holding Back Activity

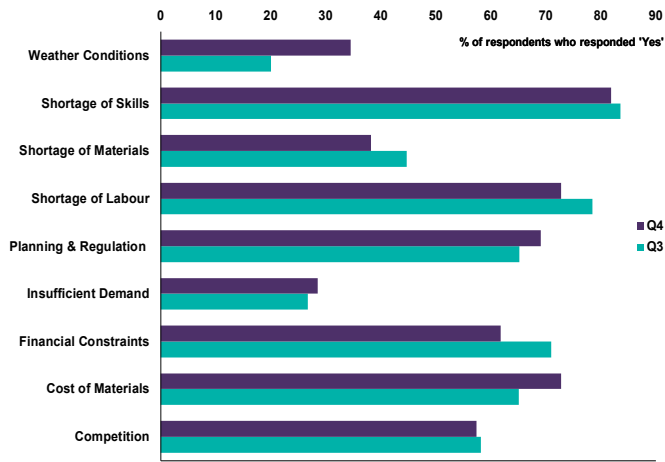


Chart 4: 12-month Expectations

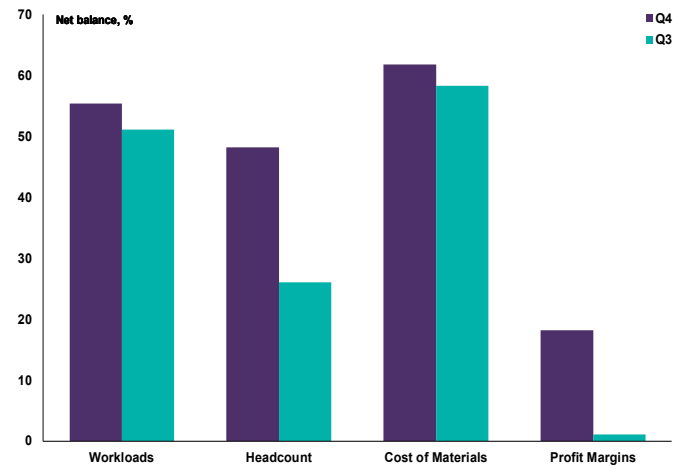


Chart 5: Skills Shortages

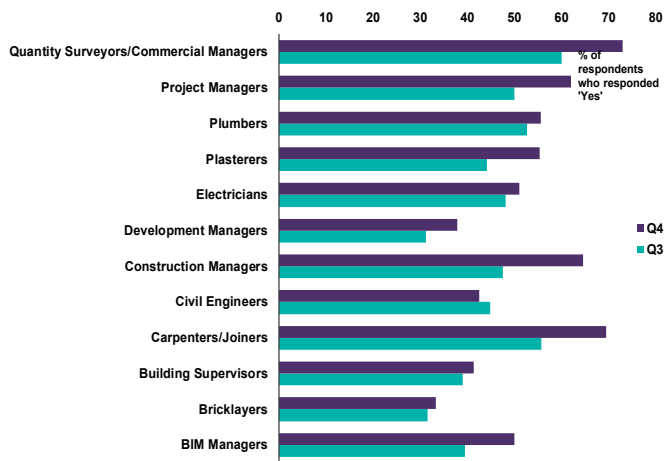


Chart 6: Expectations for Credit Conditions

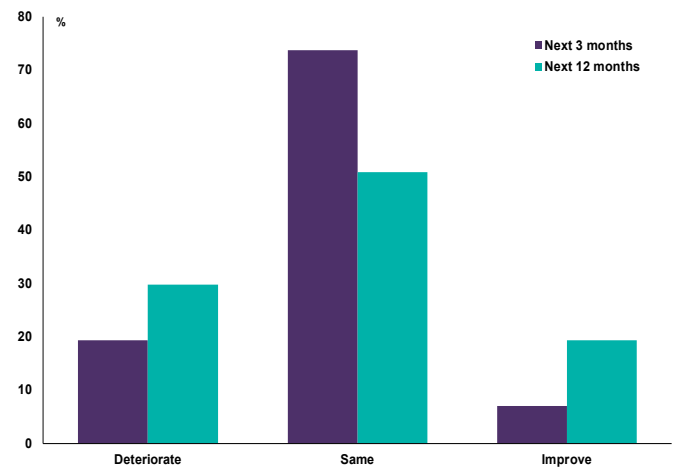


Chart 7: Infrastructure Workloads

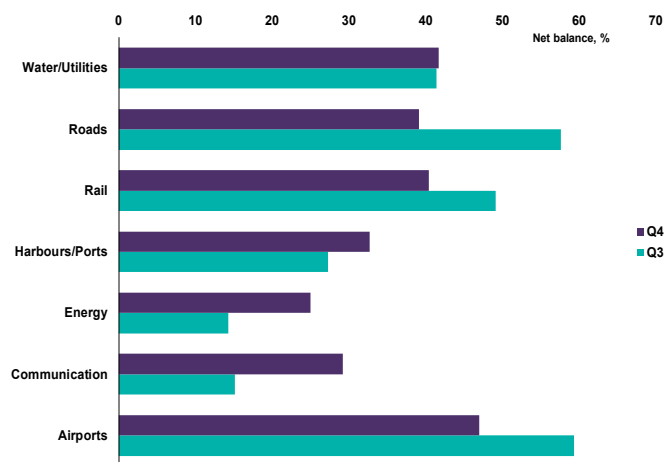
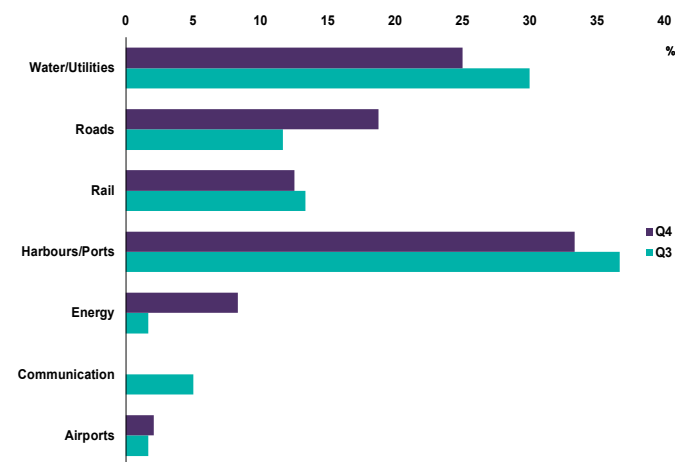


Chart 8: Infrastructure Expectations



Information

Construction and Infrastructure Survey

RICS' Asia-Pacific and Middle East Construction and Infrastructure Survey is a quarterly guide to the trends in the construction and infrastructure markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the rural land market.

Methodology

Survey questionnaires were sent out on 17 December 2018 with responses received until 27 January 2019. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 980 company responses were received.

Net balance = Proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline.

Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: economics@rics.org

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Tarrant Parsons

Economist
+44(0)20 7695 1585
tparsons@rics.org

Simon Rubinsohn

Chief Economist
+44(0)20 7334 3774
srubinsohn@rics.org

Jeffrey Matsu

Senior Economist
+44(0)20 7695 1644
jmatsu@rics.org

Sean Ellison

Senior Economist
+65 68128179
sellison@rics.org

Kisa Zehra

Economist
+44(0)20 7695 1675
kzehra@rics.org

Janet Guilfoyle

Market Surveys Administrator
+44(0)20 7334 3890
jguilfoyle@rics.org

Responses were gathered in conjunction with the following organisations:





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Americas

Latin America

ricsamericalatina@rics.org

North America

ricsamericas@rics.org

Asia Pacific

ASEAN

ricsasean@rics.org

Greater China (Hong Kong)

ricshk@rics.org

Greater China (Shanghai)

ricschina@rics.org

Japan

ricsjapan@rics.org

Oceania

oceania@rics.org

South Asia

ricsindia@rics.org

EMEA

Africa

ricsafrica@rics.org

Europe

ricseurope@rics.org

Ireland

ricsireland@rics.org

Middle East

ricsmiddleeast@rics.org

United Kingdom RICS HQ

contactrics@rics.org