EBOSS

# CONSTRUCTION INDUSTRY CONFIDENCE

AUGUST 2022

# FOREWORD

Every two years EBOSS surveys a large group of active architects and designers (specifiers), and builders. In July 2022, over 700 specifiers and 400 builders completed an online survey, with respondents representing both residential and commercial construction. The objective of the survey was to better understand the state of the industry over the next 12 months. With a direct comparison to a similar survey in 2020, we are able to measure the difference in sentiment, demand and resourcing of both the design and construction segments of our industry.

The last decade has seen significant growth in building consents to record levels, and along with this, issues regarding resourcing and increasing sector productivity. There is now a growing concern in confidence in the sector; most commentators are voicing that recent regulation changes, consistent price increases of materials, and the steady increase in labour costs coupled with staff shortages have led to a plummeting level of new home enquiries and a significant number of new builds being stalled. Specifiers and builders alike are pessimistic about the immediate future for the construction industry – 46% of specifiers and 59% of builders expect the industry to deteriorate over the next 12 months. While they are more optimistic about their own business performance, pessimism has more than doubled from pre-pandemic levels for their own businesses.

Our intention for this report is to provide a useful source of data for industry practitioners in their current activities and forward planning, as well as to inform the wider community who are interested and indirectly impacted by the state of the construction industry.

Specifiers and builders alike are pessimistic about the immediate future for the construction industry – 46% of specifiers and 59% of builders expect the industry to deteriorate over the next 12 months.

# SUMMARY

It's no surprise that construction industry confidence is down in 2022, with the proportion of builders and specifiers predicting the industry to deteriorate almost doubling from 2020. In this latest measure of construction industry confidence, 31% of specifiers (architects and designers) and 25% of builders believe the industry situation will improve, while 46% and 59% respectively believe the situation will deteriorate.

When we asked those same builders and specifiers about their businesses, the picture is far more positive. Just 18% of specifiers and 26% of builders expect their business situation to deteriorate in the next 12 months. If that positivity is warranted, then the doom and gloom we've been hearing in the media might be overstating the case. However, whenever we see individual business confidence outstripping industry confidence one concern is that businesses are taking an "it won't happen to me" attitude and becoming complacent.

There are several factors influencing industry and business confidence, and at present individual businesses are not wholly able to control these factors.

While industry and business confidence has taken a hit in 2022, when we compare current capacity and forward work levels, the industry is doing better than in 2020 (pre-Covid).

Almost half of all specifiers (47%) and builders (45%) are at full capacity now, an increase from 2020 (34% and 39% respectively).

Similarly, forward work has been building, with specifiers and builders alike having an average of around 10 months of work ahead on the books.

The work is there, the key question is: are there enough materials and staff available to support these levels of demand?

The staffing situation has worsened for specifiers, and while it has improved for builders since 2020, there is still cause for concern. 43% of builders say they don't have enough staff to meet forward demand, and 36% of specifiers say the same.

The overall picture is of a construction industry concerned for the future – though it's not necessarily the amount of work that is the issue. The industry's ability to complete projects in the pipeline, in spite of material and staffing constraints, will determine whether that concern is warranted.

# BUSINESS CONFIDENCE

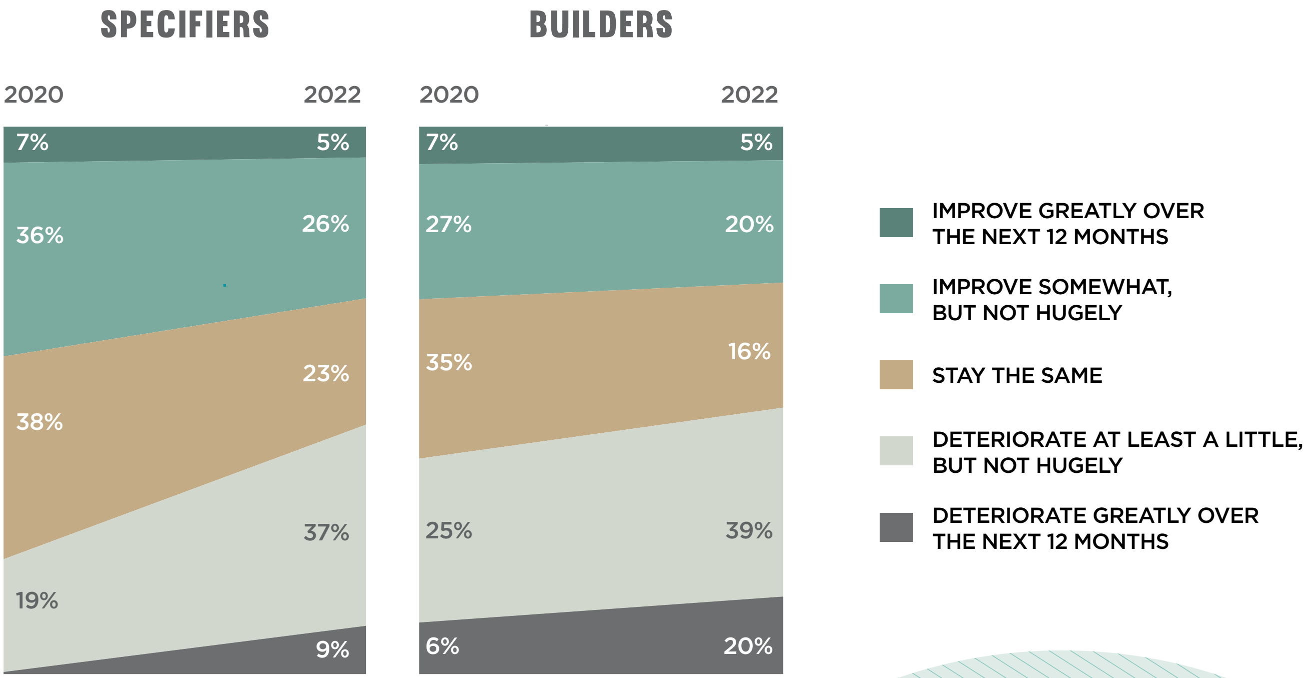
## BELIEFS ABOUT THE INDUSTRY FOR THE NEXT 12 MONTHS

Specifiers (architects & designers) and builders were asked to consider how they thought the construction industry in NZ would fare over the next 12 months.

Builders are more pessimistic about the industry, with 20% expecting it to deteriorate greatly. This compares to just 9% of specifiers who expect the situation to deteriorate greatly.

Back in 2020, specifiers were overall optimistic about the industry situation – with optimism leading by 24 points (% expecting improvement minus % expecting deterioration). This has dropped to a net pessimistic view, with pessimism leading by 15 points in 2022.

Similarly, builders have gone from being slightly optimistic (3 point lead for optimism) to net pessimism with a whopping 34 point lead for pessimism.




BASE: 726

BASE: 401

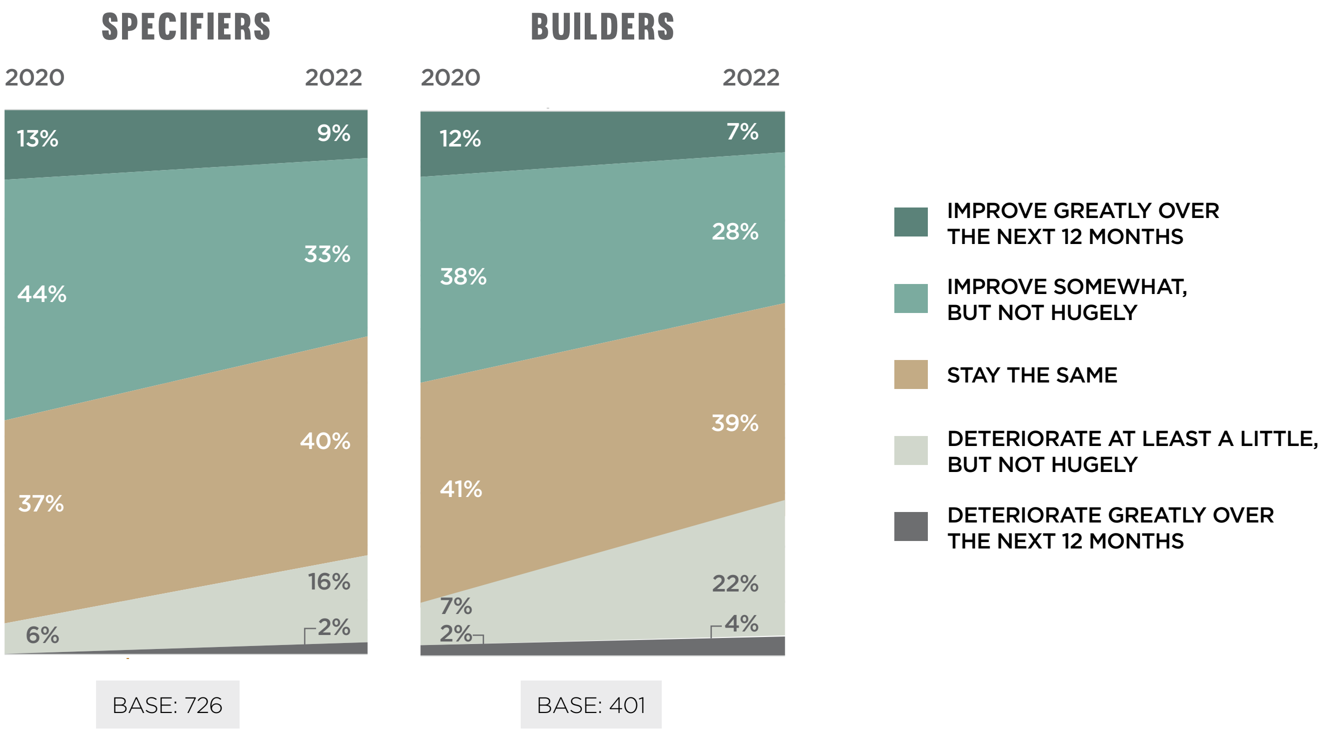
**Question:** Do you consider that the overall construction industry situation in New Zealand will improve, remain the same or deteriorate during the next 12 months?

# BUSINESS CONFIDENCE

## BELIEFS ABOUT THEIR OWN BUSINESS FOR THE NEXT 12 MONTHS

The picture for their own businesses is more positive – though it is worrisome in the same way that everyone thinks they're an above-average driver. If they believe this industry is declining but their business will be fine, they may not be looking for the right warning signs.

In 2022, both specifiers and builders are feeling optimistic about the next 12 months for their businesses, compared to just less so in 2020. One-quarter of builders believe their business will deteriorate, while 18% of specifiers believe the same about their companies.




**Question:** Do you consider that your business situation will improve, remain the same or deteriorate during the next 12 months?

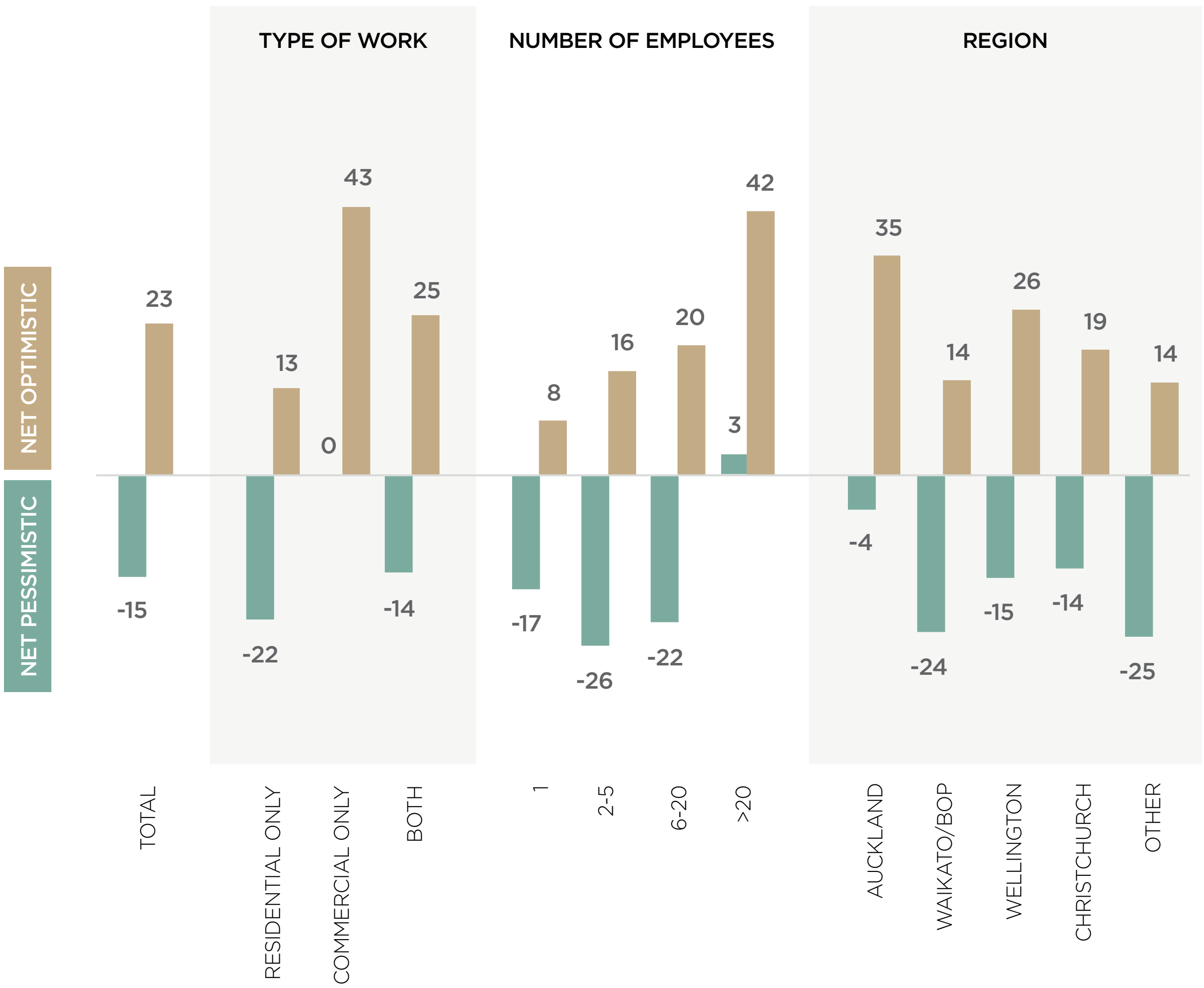
# BUSINESS CONFIDENCE INDEX

## SPECIFIERS

Smaller firms are more concerned about the state of the construction industry, while those with 20 or more employees are the most positive about the future of the industry and their own businesses.

Related to firm size, specifiers more focused on commercial work are feeling more positive as well. They have a net neutral position on the industry and a 43-point lead on optimism for their own business.

In addition, industry pessimism is highest outside of the three main centres, and own business optimism is lowest in the provinces as well.



# BUSINESS CONFIDENCE INDEX

## BUILDERS

Industry pessimism is high across the board for builders. Contrary to the views of specifiers, it is even worse among those focussed on commercial work.

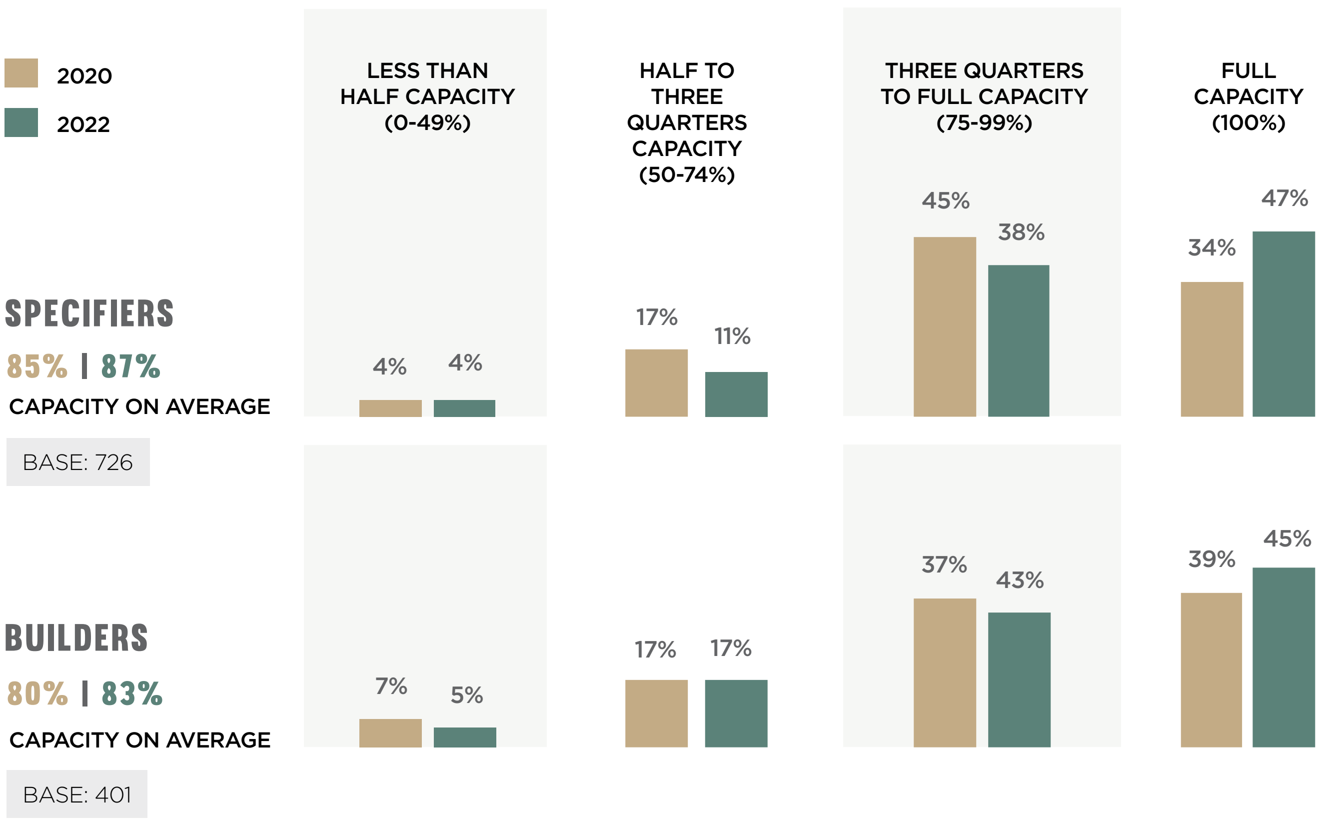
Sole traders tend to be more pessimistic about the future of their businesses, especially those with longer industry tenure.

# CURRENT WORKLOAD

The current workload of builders and specifiers in 2022 is slightly higher compared to 2020.

In particular, in 2020 34% of specifiers were at 100% capacity; this has jumped to 47% in 2022. The proportion of builders at 100% capacity has also increased from 39% in 2020 to 45% in 2022.

Larger firms (both specifiers and builders) tend to have more work at present, with the average workload being 92% for firms with over 20 employees. By contrast, sole trader specifiers are at 77% capacity on average, while sole trader builders are at 74% capacity on average.




**Question:** Considering the resources available within your business right now, please estimate your business/practice workload at present.

# AMOUNT OF FORWARD WORK

The amount of forward work now sits at 9.5 months on average for specifiers, and 10.5 months on average for builders.

This has increased slightly from 2020 – though more so for builders than specifiers.

There are key differences by business size. Specifier firms with 20+ employees have 12 months forward work ahead of them on average, compared to 6 months for sole traders.

Similarly, builders with 20+ employees have 17 months work ahead on average, while sole traders have 6 months ahead of them.

2020

2022

## SPECIFIERS

**9.5 MONTHS | 8.2 MONTHS**

AVERAGE FORWARD WORKLOAD

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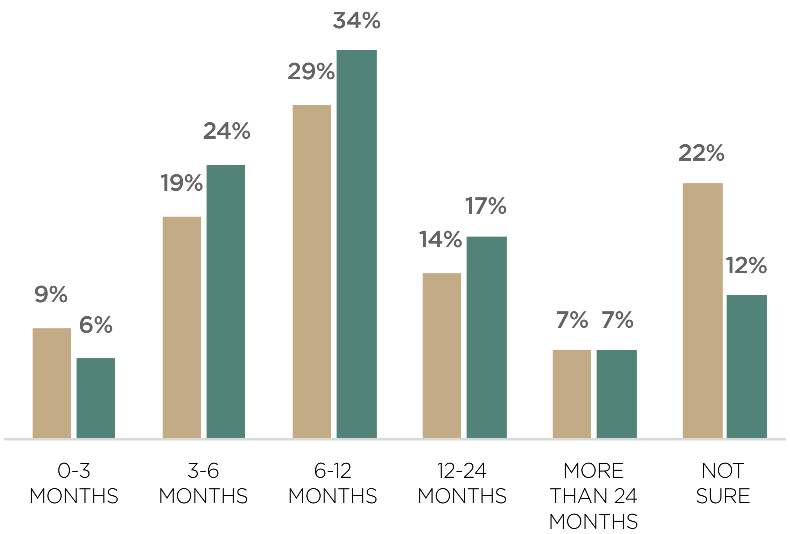


## BUILDERS

**10.5 MONTHS | 8.8 MONTHS**

AVERAGE FORWARD WORKLOAD

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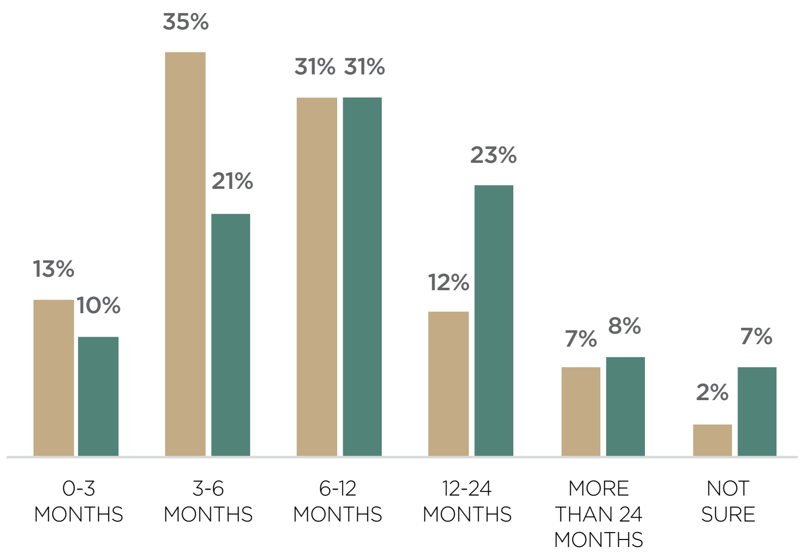
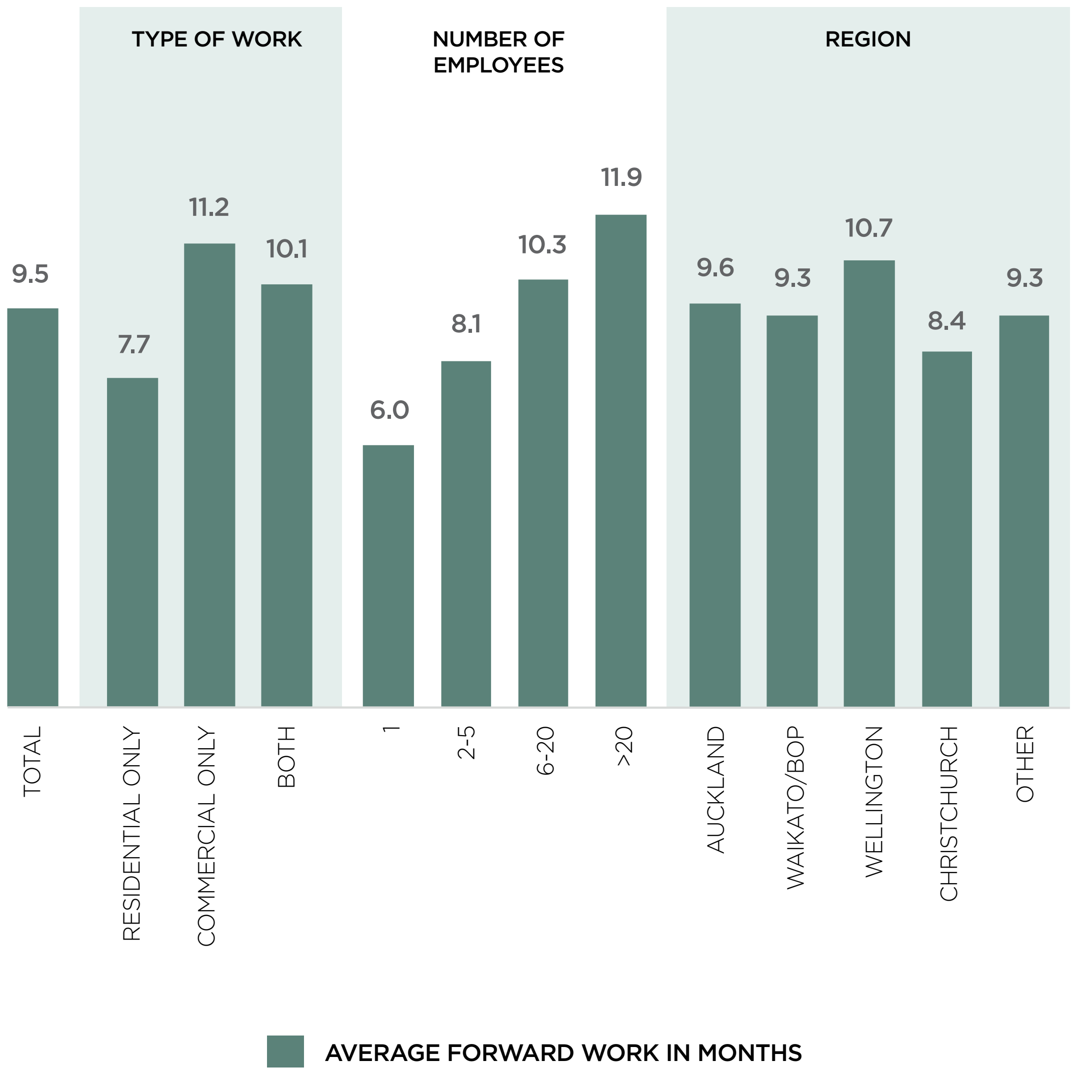


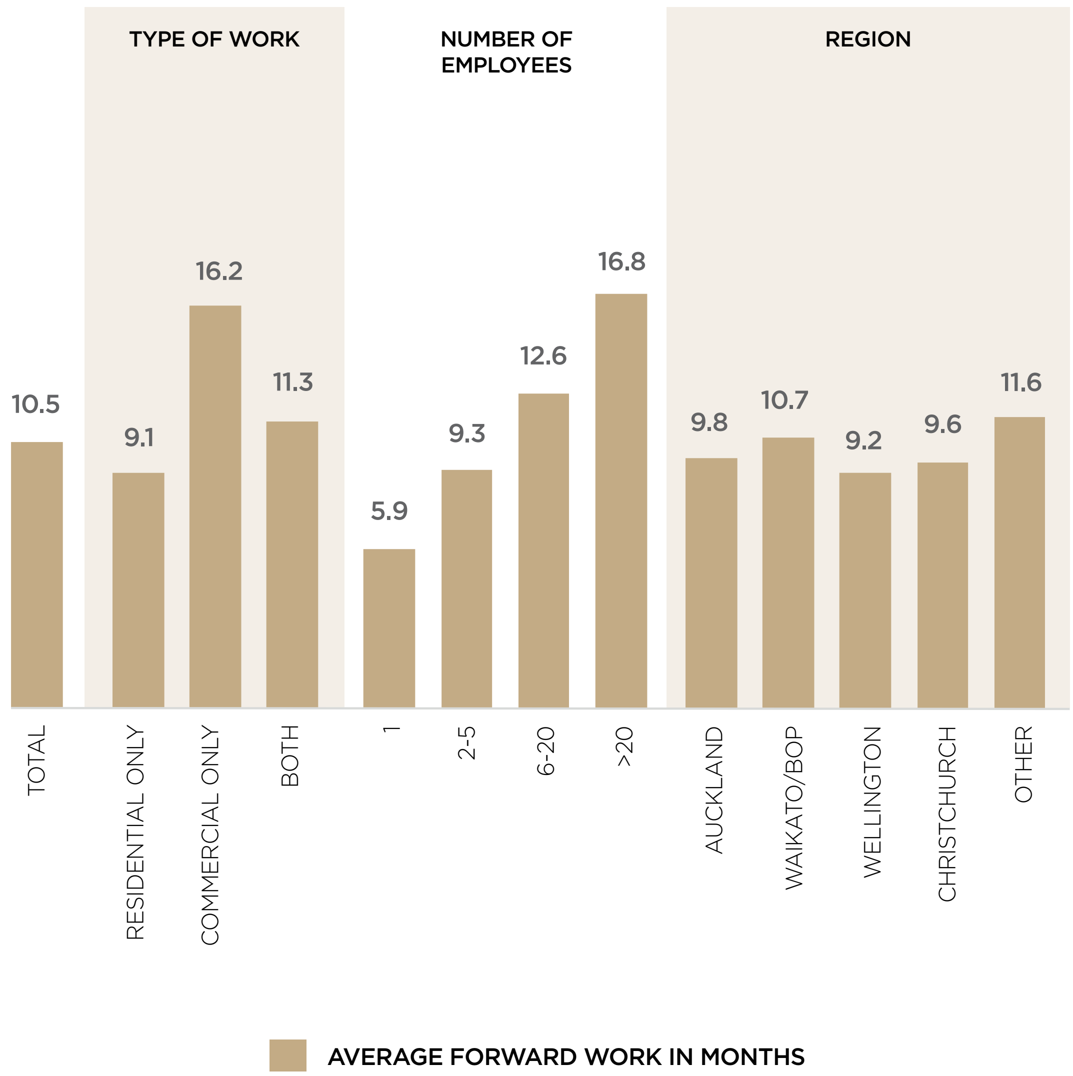
# AVERAGE AMOUNT OF FORWARD WORK

## SPECIFIERS



# AVERAGE AMOUNT OF FORWARD WORK

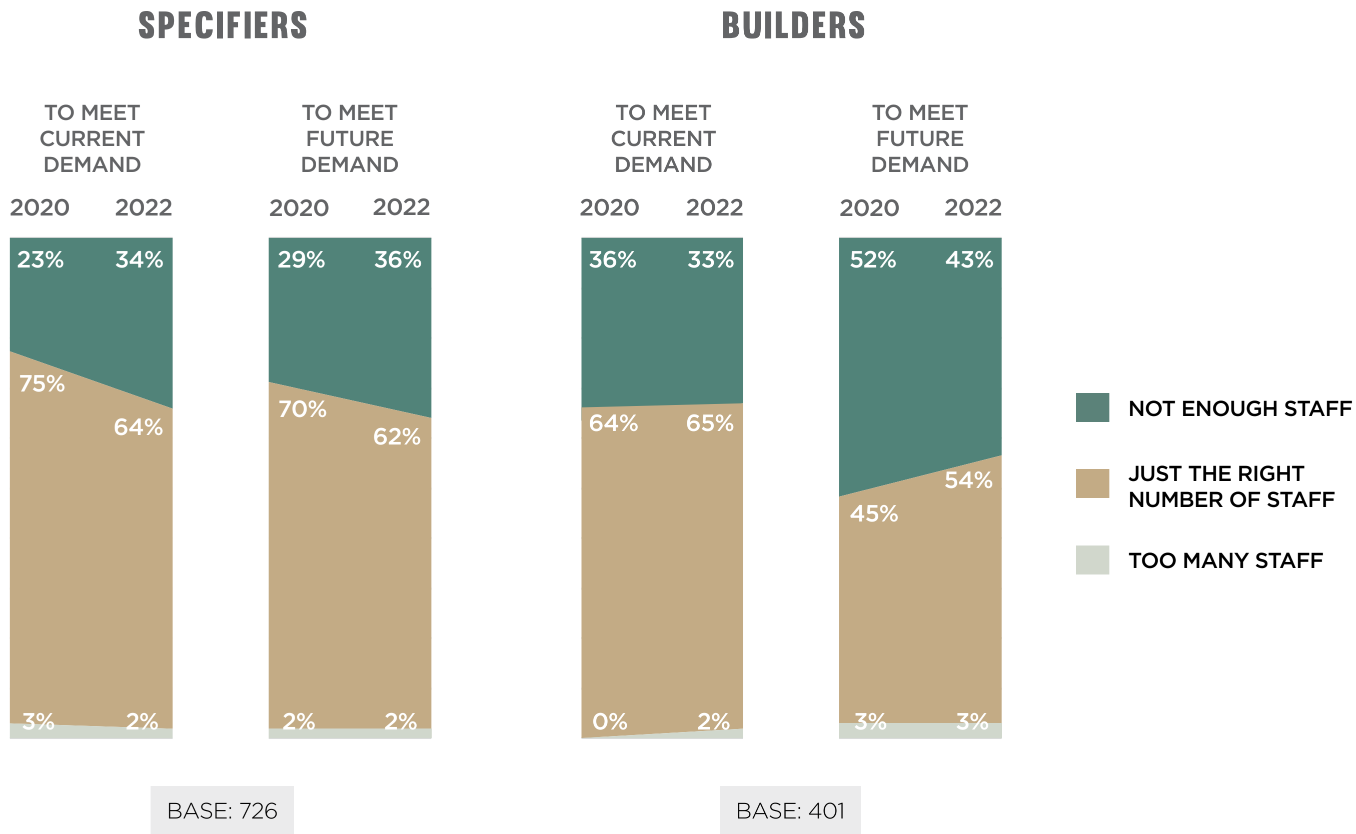
### BUILDERS



# STAFFING LEVELS

Staffing issues have eased somewhat for builders in 2022, with fewer saying they don't have enough staff for future work compared to 2020. However, that still leaves 43% of builders saying they don't have enough staff for future work, and 33% saying they don't have enough staff for current work levels.

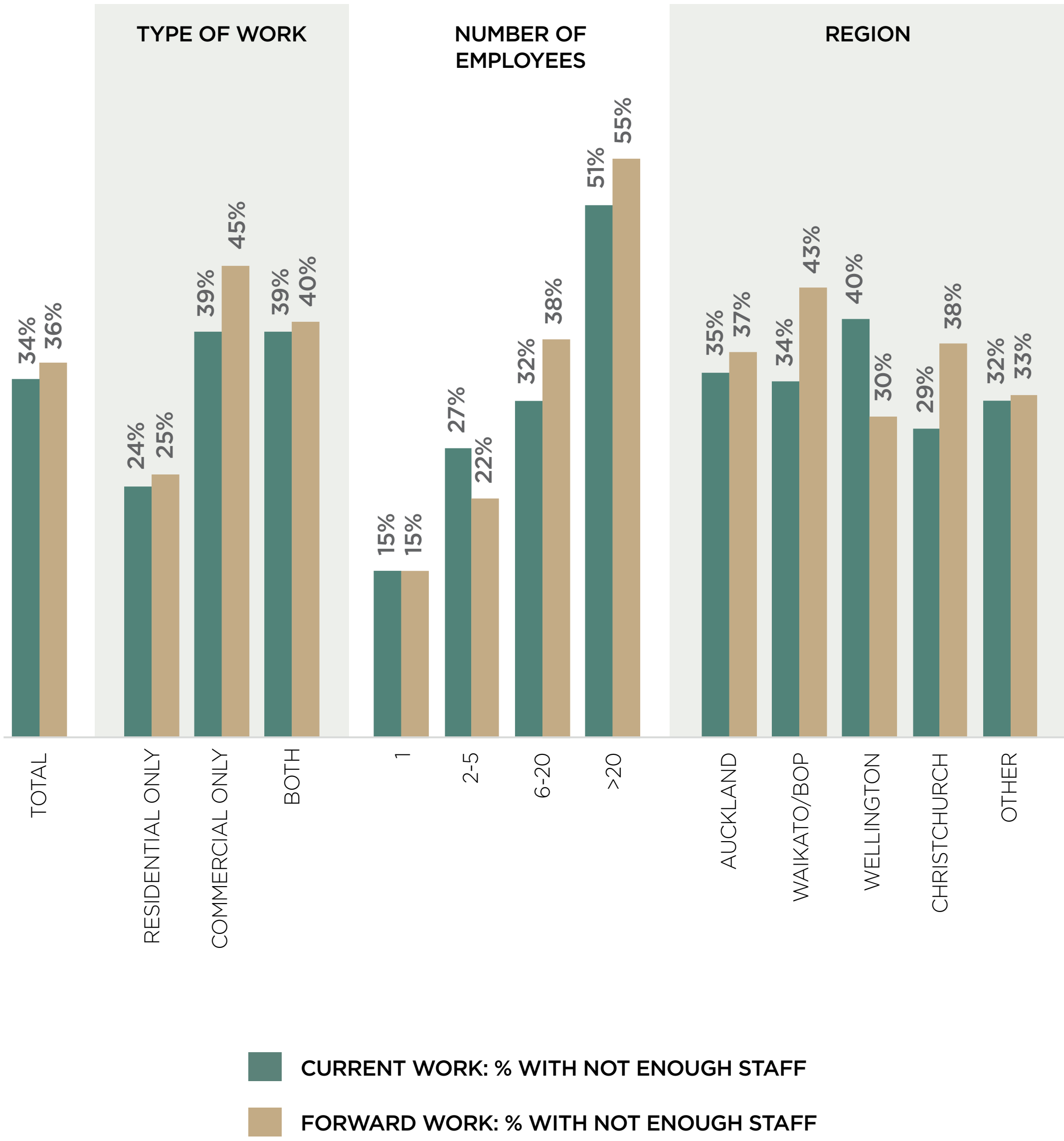
By contrast, staff levels have deteriorated for specifiers in the last two years. Over a third now say they don't have enough staff to meet current or future demands.




**Question:** Which of the following best describes your staff situation with regards to both current and forward work demands?

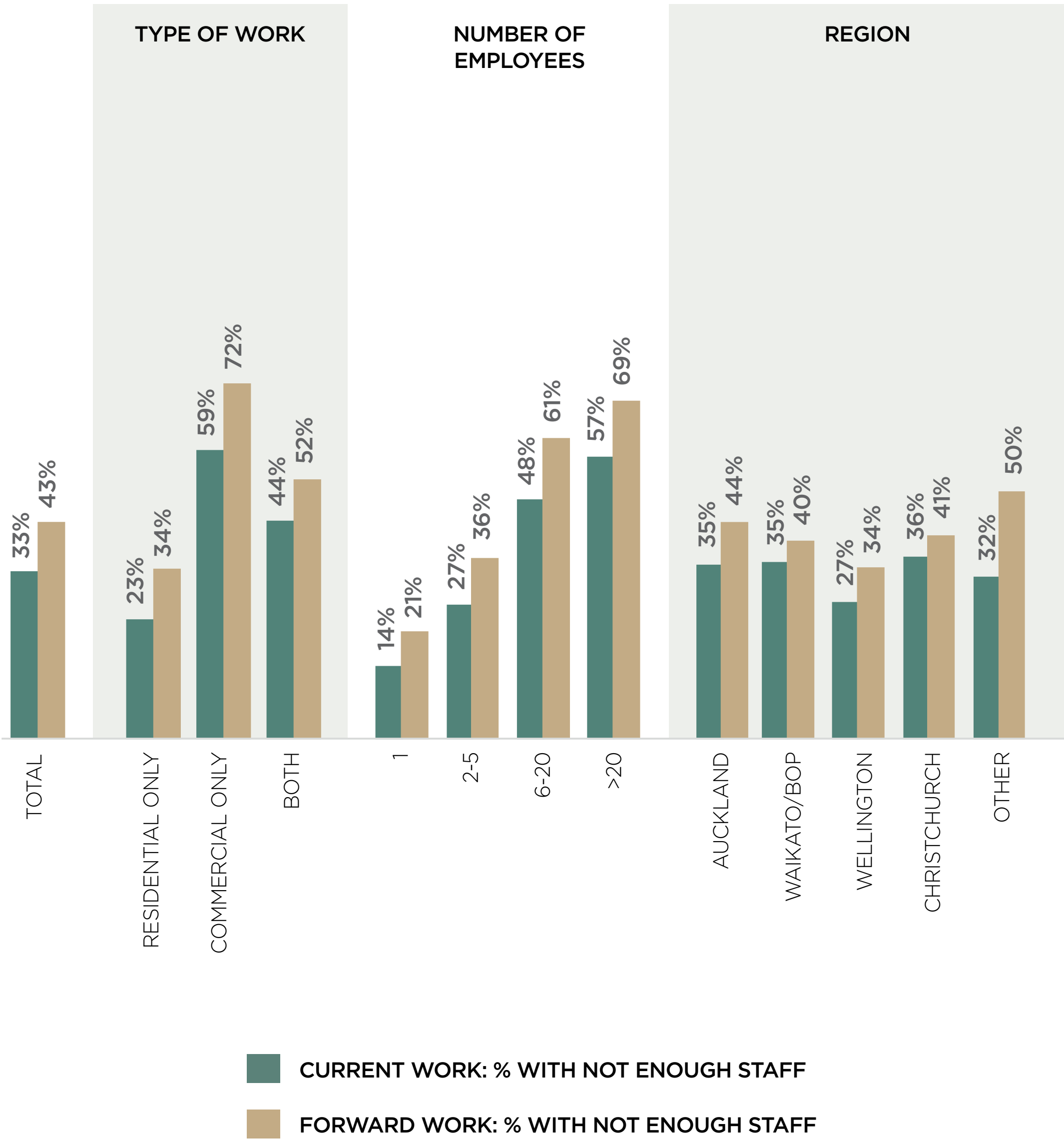
# PERCENTAGE WITH NOT ENOUGH STAFF

## SPECIFIERS



# PERCENTAGE WITH NOT ENOUGH STAFF

## BUILDERS



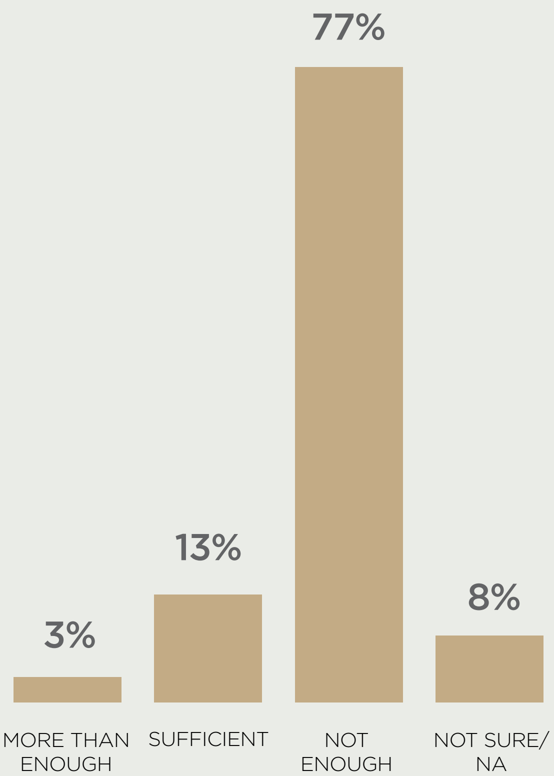
# AVAILABILITY OF QUALIFIED STAFF

## FOR THOSE LOOKING TO HIRE

### SPECIFIERS

**29%**

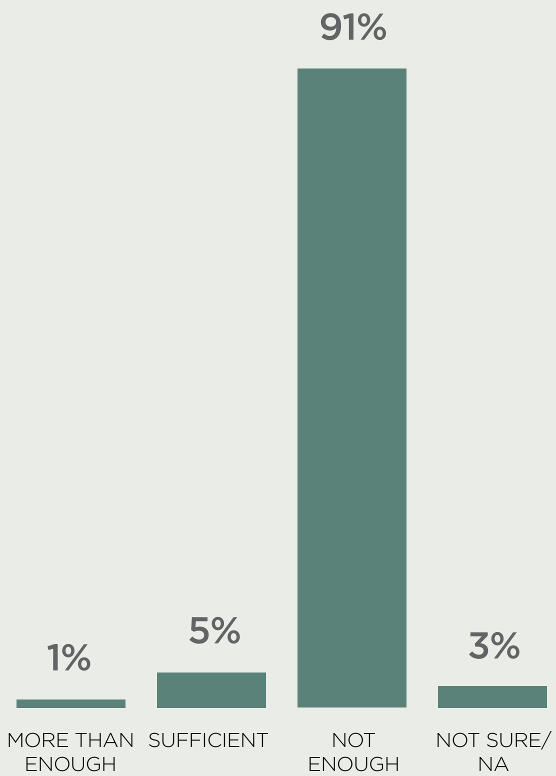
ARE LOOKING FOR STAFF




### BUILDERS

**36%**

ARE LOOKING FOR STAFF




77% of specifiers and 91% of builders think there is not enough staff to hire

# ABOUT EBOSS

Established in 2006, EBOSS works with leading building product suppliers to assist in material selection by specifiers. Trusted by 30,000 architects, designers, builders, sub-trades, council planners and engineers, who subscribe to the EBOSS digital product library and publications, EBOSS regularly engages with members of New Zealand's architectural, design and construction community.

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Note: The ratings in some of the stacked bar charts may not add to 100%. This is due to rounding.