



# New Zealand

## Country Insights and Commodity Report

Q1 2022



# New Zealand

## Q1 2022

New Zealand recorded GDP growth of 5.1% in 2021, with the outbreak of the Delta variant in the latter part of the year impacting retail, hospitality, manufacturing and construction in particular. However, as restrictions ease, the Bank of New Zealand anticipates a rebound. The IMF's most recent 2022 forecast is from October 2022 (growth of 3.3%) and does not factor in the potential impact of the Russia-Ukraine conflict.

Following a 4.2% expansion in 2021, the construction industry is anticipated to grow further this year, driven by activity in the infrastructure, energy and utilities, and residential sectors. However, as is the case with many countries around the world, the current market landscape poses a number of downside risks, including material price escalation, rising labour rates and increasingly tight monetary policies.

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As material costs will continue to represent a challenge for the construction industry for the foreseeable future, Linesight will publish quarterly updates to track commodities and provide insights about future projections on movements.

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### Lumber

Although New Zealand has a sizeable domestic logging industry, a solid recovery in residential construction in 2021 along with high export demand resulted in tight domestic supplies. The market is expected to remain tight in 2022, as strong residential construction growth will continue to drive up demand for lumber. New Zealand fells around 36 million cubic metres of logs annually, and 60% of this is typically exported, the majority of which heads to China. Under the FTA with China, import taxes on New Zealand logs have been eliminated.



### Cement and concrete

Continued growth in construction will boost demand for cement and concrete, much of which is imported. New Zealand's domestic cement production is limited to Fletcher Buildings' Golden Bay plant, which supplies more than half of the country's domestic demand. The plant was upgraded in March 2021 enabling it to burn used tyres as part of the cement-making process, which it expected will help it to compete more strongly with imported products.



### Concrete blocks and bricks

The ongoing recovery in building construction will drive renewed demand for blocks and bricks. Product availability will be sufficient, but production costs are expected to rise amid the increase in energy costs.



### Steel (rebar and structural)

New Zealand Steel is the only integrated steel manufacturer in the country. With high dependency on imports, and with global increase in raw material prices and supply chain limitations, prices increased in the past year in line with global trends. Prices had been expected to ease in 2022, but the disruption to steel supplies, as well as raw materials, caused by the Russia-Ukraine conflict is having a widespread impact on steel prices, and ensures that prices will now remain elevated in 2022.



### Copper

Reflecting global supply constraints and low inventories at a time of improving demand, global copper prices soared in May 2021 and remained at relatively high levels throughout the rest of the year. The copper market was expected to cool in 2022, but ongoing tightness and weak inventory levels combined with the disruptions in Europe have generated upward pressure on prices.



# New Zealand - Commodity Report



Materials	Q4 2021	Q1 2022 (e)		Q4 2021 - Q1 (e) 2022
	NZ\$	NZ\$	Q4 2021 CY - CY 2022 (f) % change	% change
<b>Copper</b> (NZ\$/MT)	13,956	15,414	10.4% ↑	4.6% ↑ ●
<b>Steel rebar</b> (NZ\$/MT)	950	1,131	19.1% ↑	8% ↑ ●
<b>Steel flat</b> (NZ\$/MT)	1,558	1,855	19.1% ↑	8% ↑ ●
<b>Lumber</b> (NZ\$/M3)	140	186	32.8% ↑	13.4% ↑ ●
<b>Asphalt</b> (NZ\$/MT)	275	315	14.5% ↑	9% ↑ ●
<b>Limestone</b> (NZ\$/MT)	79.9	84.2	5.4% ↑	4.3% ↑ ●
<b>Cement</b> (NZ\$/MT)	453	500	10.4% ↑	4% ↑ ●
<b>Concrete</b> (NZ\$/M3)	300	328	9.5% ↑	3.7% ↑ ●
<b>Welded mesh</b> (NZ\$/unit)	119	139	16.8% ↑	10.1% ↑ ●
<b>Bricks</b> (NZ\$/'000 unit)	1,743	1,859	6.6% ↑	1.5% ↑ ●
<b>Plasterboard</b> (NZ\$/unit)	30	30.2	0.7% ↑	0.2% ↑ ■
<b>Diesel</b> (NZ\$/litre)	1.70	2.13	25% ↑	12.4% ↑ ●

**Q3 Q4 2022 (f):** Forecasted average  
**2021-22 % change:** % change from Q4 2021 to Q3 Q4 2022 average  
 ● Q4 to Q1 2022 % change greater than estimation in our Q4 report  
 ■ Q4 to Q1 2022 % change less than estimation in our Q4 report

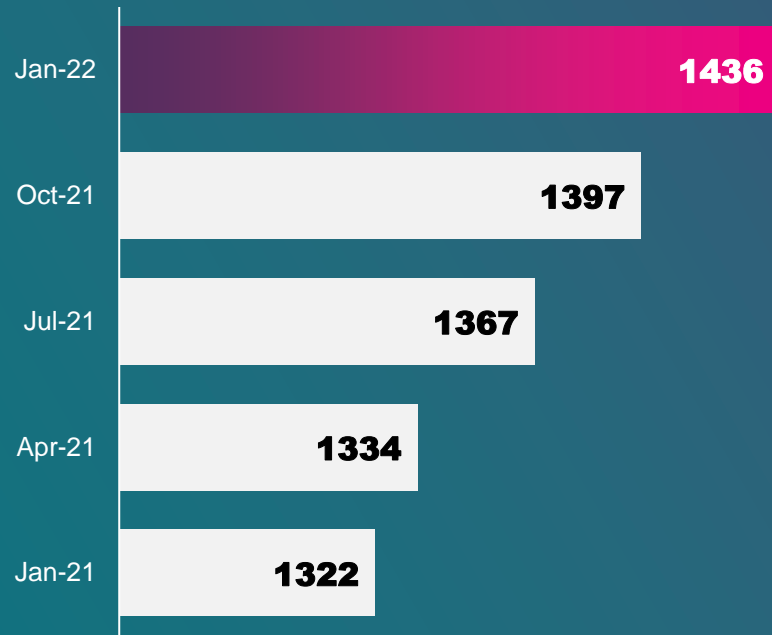
Material	% change Q1 – Q2 2022 (f)	Level of impact of pricing on construction procurement and supply chain *
 <b>Metal prices</b> - Copper +2.5% ↑ - Steel rebar +5% ↑ - Flat steel +5% ↑	 High	New Zealand is heavily dependent on copper imports. Prices rose throughout 2021 owing to low copper inventories, high Chinese demand and the recovery in NZ construction. Prices will continue to face upward pressure in 2022, in part owing to disruption in the global market following the outbreak of the Russia-Ukraine conflict.
 <b>Cement Concrete</b> +3% ↑ +2.5% ↑	 Moderate	As predicted by local suppliers, prices remained high in early 2022 with respect to locally sourced products, while high international freight rates contributed to higher prices for products sourced from offshore mills. The Russia-Ukraine conflict has amplified price volatility, prior to which local providers had already indicated that prices in April would be pushed up by 6-8% for rebar.
 <b>Asphalt</b> +2% ↑	 Moderate	The recovery in construction demand in 2021 contributed to the steady increase in concrete and cement prices, which are expected to remain relatively high, given the impact of rising energy costs.
		Asphalt prices have stayed relatively high and will remain under upward pressure, reflecting New Zealand's imports of asphalt and the increase in crude prices. The halting of production in 2021 of bitumen at the Marsden Point Oil Refinery, which was the major bitumen producer in New Zealand, has also contributed to the high price level, leaving the country wholly reliant on imports. Raising a degree of uncertainty over future supplies, the country's main bitumen importer, Z Energy, has announced that it will exit the market in June 2023, owing to plans by NZ Transport Agency to enter the market and supply the country's bitumen needs next year.

Please note that commodity prices are based on representative materials available in the respective countries, and as these materials may not be standard across all markets, cross-country comparisons on prices can be ineffective. For example, asphalt types can vary between hot, cold or a bitumen price, and standard unit sizes for materials can vary across countries.

# New Zealand - Commodity Report



## Producers price index - construction



## Knoema World Data Atlas

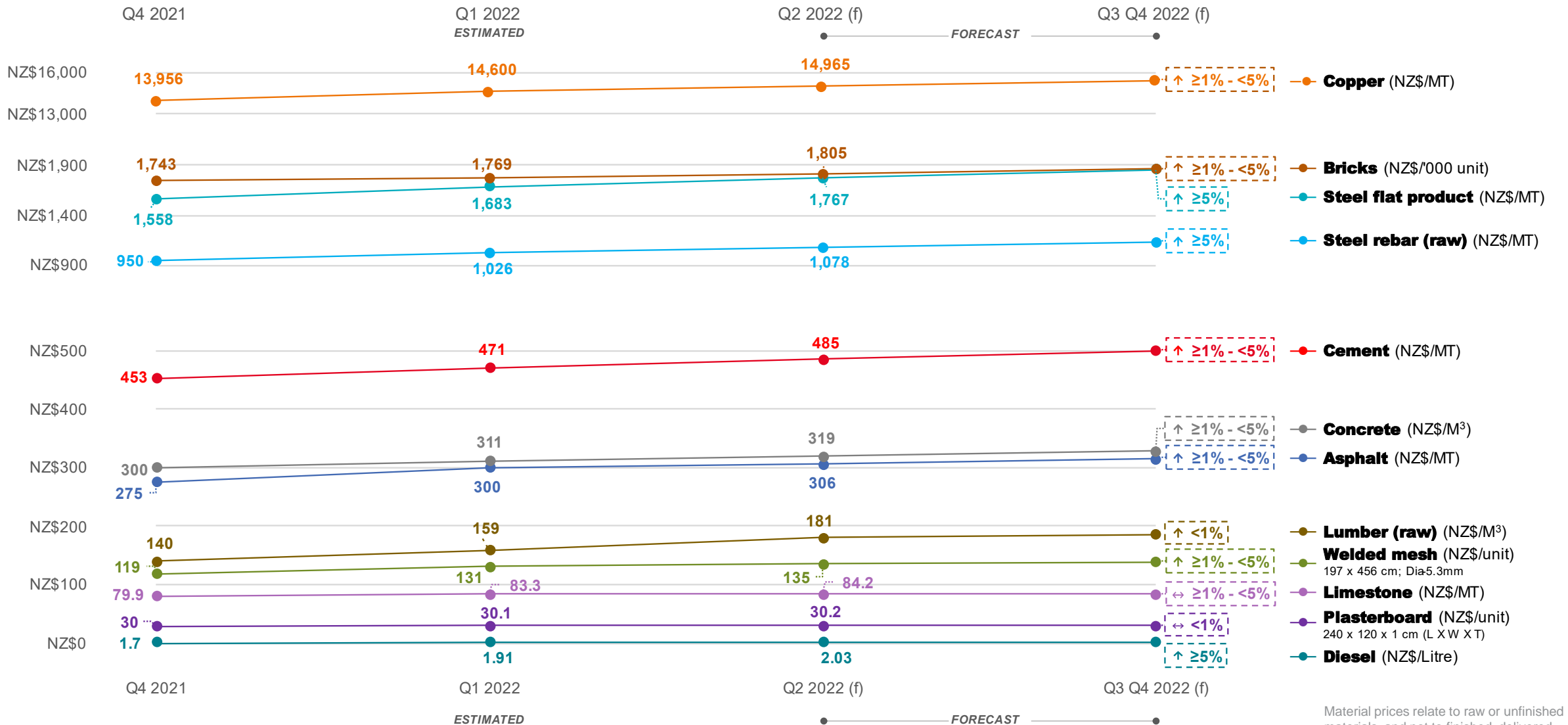
Index of economic freedom **83.90 out of 100**

Material	% change Q1 – Q2 2022 (f)	Level of impact of pricing on construction procurement and supply chain *
 <b>Limestone</b>	+1% ↑	 Low Limestone demand is primarily met through domestic production, helping to keep inflationary pressures contained.
 <b>Lumber</b>	+13.7% ↑	 Moderate Lumber prices eased back in the second half of 2021, having spiked in the second quarter when a tightening in domestic supplies occurred at a time of high global and domestic demand. Prices started to rise again in the first quarter of 2022, but on a quarterly average basis, prices were still close to the previous quarter.
 <b>Welded mesh</b>	+3% ↑	 Moderate The price trend for welded mesh is based heavily on the price of steel. Hence a similar price trend is expected for mesh products.
 <b>Bricks</b>  <b>Plasterboard</b>	+2% ↑ +0.5% ↑	 Low High demand amid the surge in residential construction, combined with upward pressure on production costs, ensured brick prices remained relatively high during 2021. With higher fuel prices expected, brick prices will hold firm in the short term.  No major changes are expected in the price of plasterboard.
 <b>Diesel</b>	+6% ↑	 Low Diesel prices soared in March amid the market pressures that followed the outbreak of the Russia-Ukraine conflict. The government is providing some relief, but prices will remain high and subject to a high degree of volatility in the coming quarters, reflecting the uncertain geopolitical environment.

\* Level of impact rating reflects a combination of factors: the price movement and also price level (compared to recent past beyond the last quarter), the importance of the material, and general state of the supply chain in terms of stability.

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# New Zealand - Construction Materials Pricing (2021-2022)

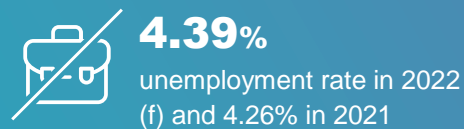
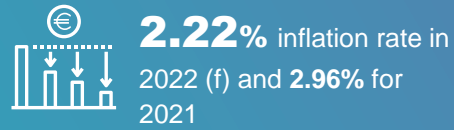


Material prices relate to raw or unfinished materials, and not to finished, delivered and erected on-site prices.

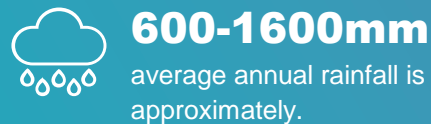
# New Zealand - Macroeconomic overview



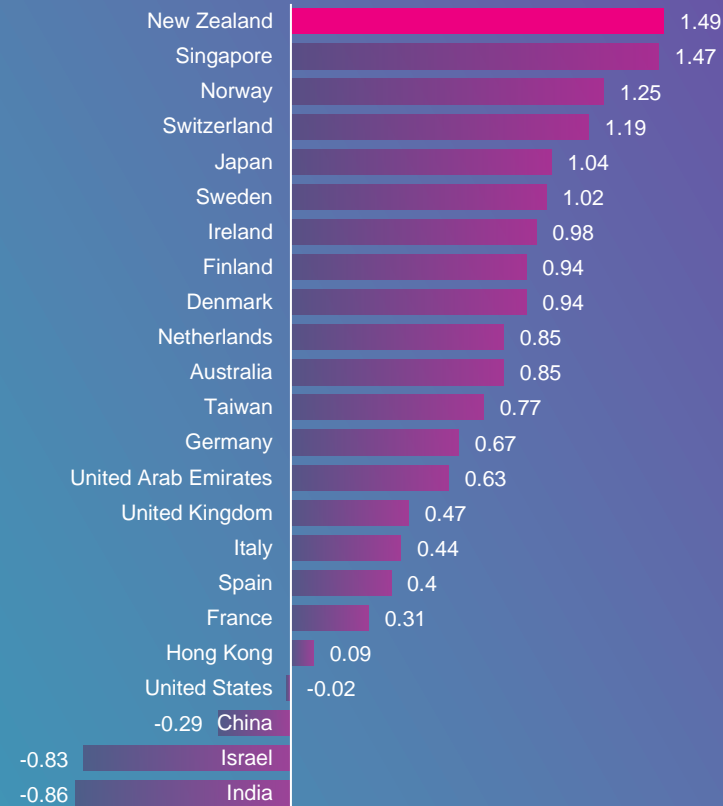
## Economic indicators



## Weather conditions



## Political stability



Political stability index (-2.5 weak; 2.5 strong)

The index of Political Stability and Absence of Violence/ Terrorism measures perceptions of the likelihood that the government will be destabilised or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism.

## National holidays

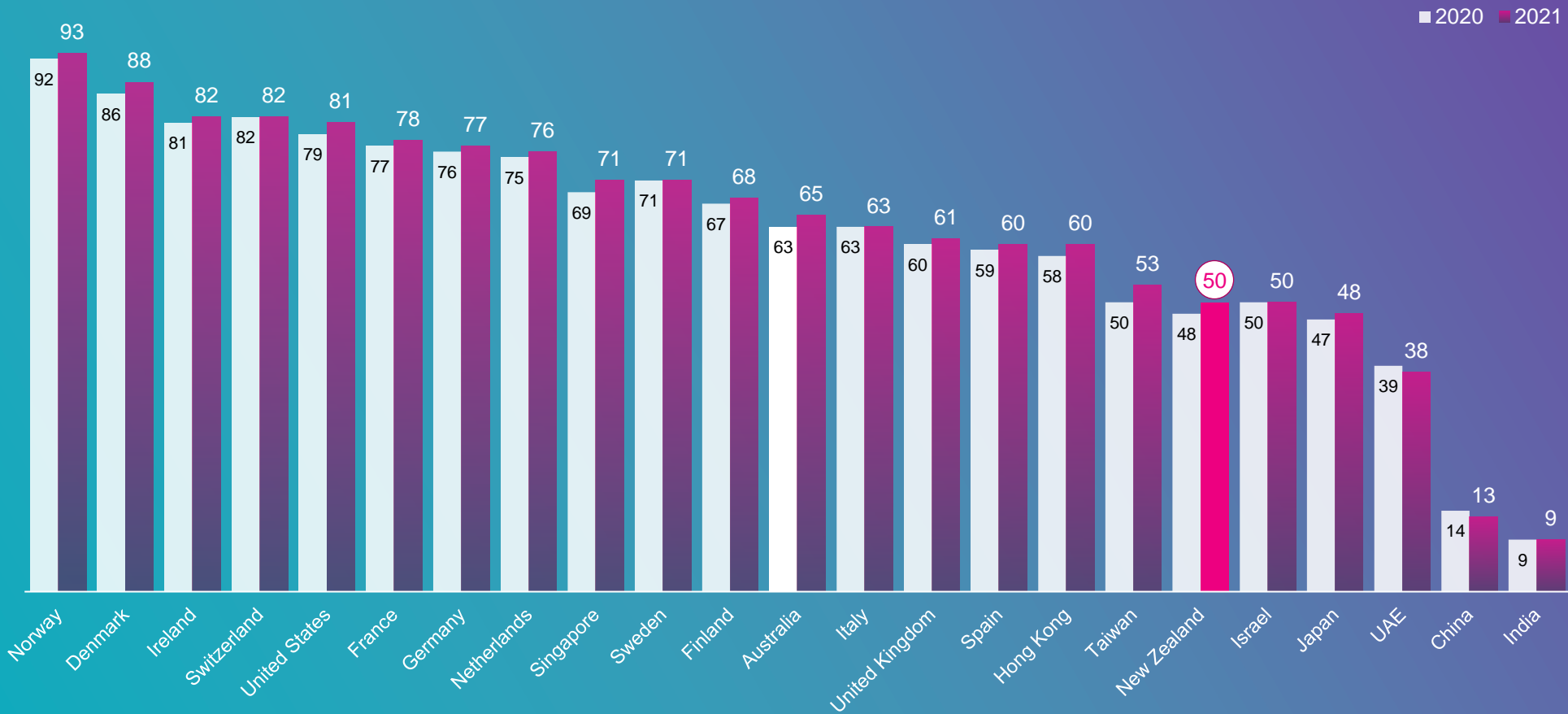


**11** public holidays in New Zealand each year. Most holidays are taken during December. 10 days for Christmas period (from 23<sup>rd</sup> December till 3<sup>rd</sup> January)

# New Zealand - Macroeconomic overview



## Labour productivity



Labour productivity per hour worked in 2020 international dollars, converted using Purchasing Power Parities

## Labour costs



**NZD29**

is the average hourly earnings or

**NZD60,391**

average construction worker gross salary in New Zealand While an entry level construction worker (1-3 years of experience) earns an average salary of **NZ\$45,009** and a senior level construction worker (8+ years of experience) earns an average salary of **NZ\$73,294**.









**\$50**

is the labour productivity per hour worked in 2021 and \$48 in 2020 (converted using Purchasing Power Parities)

# New Zealand - Construction overview



Output 2021 and 2022 (f) (in millions)			
Sector	Total 2021	Total 2022 (f)	% Change
 Commercial	NZ\$ 6,453.59	NZ\$ 6,777.48	5%
 Energy and utilities	NZ\$ 12,091.17	NZ\$ 13,253.12	9.6%
 Industrial	NZ\$ 1,370.02	NZ\$ 1,581.12	15.4%
 Infrastructure	NZ\$ 12,684.30	NZ\$ 13,759.42	8.5%
 Institutional	NZ\$ 4,251.71	NZ\$ 4,578.32	7.7%
 Residential	NZ\$ 30,605.89	NZ\$ 34,803.99	13.7%
<b>Total output</b>	<b>NZ\$ 67,456.53</b>	<b>NZ\$ 74,753.61</b>	<b>10.8%</b>

## Long-lead equipment (LLE) – time risks

Long-lead equipment (LLE) lead times have changed drastically since the start of 2022. Suppliers have seen the implications of material shortages, delays and price hikes throughout the supply chain which is leading to extended lead times and reduced commitment from suppliers for new projects. The key areas in focus are:

- Demand:** The demand for long lead equipment in the data sector has increased exponentially with the IT boom. More and more data centre and crypto mining providers are joining the market and this new demand far outweighs the capacity of the supply chain. Entry onto the production line has become a significant challenge with suppliers reporting fully booked capacity until Q1 2023. Opportunities exist for the development of Tier 2 and Tier 3 suppliers to Tier 1 status however that will take time to develop an extended supply chain.
- Material shortage:** The end of Q1 2022 saw a significant drop in the availability of raw materials used for LLE production. Global factors such as the conflict in Ukraine and the resurgence of COVID19 has halted production which is at its lowest levels in recent years. The ethical approach, which is to manoeuvre away from the use of Russian gas and oil, has reduced production levels and added longer lead times within the supply chain – even for APAC, as the European impact is felt. The raw material shortages are expected to continue into Q2 2022, whilst there is uncertainty for the security of the supply chain.
- Freight durations and costs:** Heightened by the increase in fuel costs and compounded by the shortage of labour and low supply of shipping containers, freight durations have soared as suppliers look for ways to mitigate these challenges. The demand for freight services has grown across all markets in recent years and the competition amongst industries has had a negative effect on availability and durations. As clients consider alternative solutions, it almost becomes cost prohibitive to use quicker forms of transport such as air freight due to increasing fuel costs.

## Construction health & safety practices and culture



WorkSafe regulates health and safety in New Zealand's workplaces, as well as overseeing compliance with health and safety law. New Zealand has an accident compensation scheme called 'ACC'.



### 14 fatalities

in construction from Oct 2020 to Sept 2021, with an average of 1.2 per month.

### 5,955

injuries happened on construction sites that resulted in more than a week away from work, between May 2020 to April 2021.



# New Zealand - Report methodology



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Linesight has commissioned independent global research to track construction materials and commodity prices. The approach and methodology for the collection of construction material pricing and other indicators is based on primary and secondary research.

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## Primary and secondary research

Primary research is conducted on a quarterly basis with stakeholders in the value chain, including manufacturers and suppliers/distributors of the target materials, to ascertain market information on prices in recent quarters, and also on projections for changes in the coming quarter and remainder of the year. The market analysis also involves a thorough assessment of secondary sources of data on materials and labour prices, in addition to underlying demand and supply trends that will impact market prices.

Sources include GlobalData's Construction Intelligence Center (CIC), the World Bank, IMF, OECD, as well as country specific national statistics offices, such as the U.S. Bureau of Economic Analysis, Bureau of Labor Statistics, and also industry specific associations and publications. A more comprehensive list of sources is included below.

## Definitions

- Commodity prices are net of taxes for all the countries
- Prices are not customer delivered
- All commodities are raw materials
- Nominal and real data

Nominal data series do not exclude changes in prices and are also referred to as current prices series.

Annual changes in nominal data for construction output will include changes in construction activity, as well as changes in costs for materials and equipment.

Real data series are calculated by keeping prices constant (so, are also referred to as constant price series), and therefore, they reflect changes in activity only. Growth rates in nominal terms can overstate the pace of growth in construction activity if there is high inflation stemming from rising prices for key inputs.

## Sample sources – New Zealand

For New Zealand, sources for this report include, but are not limited to:

- IMF
- Economy.com
- The Global Economy
- Weather Spark
- Stats NZ
- WorkSafe
- GlobalData's Construction Intelligence Center (CIC)
- Conference-board.org

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