

Activity & Labour Trends

Christchurch Earthquake

The outlook for New Zealand's economy will be grim until 2013 after Canterbury's twin earthquakes devastated the region and undermined an already struggling national recovery

(Source: Paul McBeth SCOOP Independent News – 21 March 2011)

The February earthquake heightened the risk of a double-dip recession after it destroyed as much as \$15 billion of housing and infrastructure.

“ Without doubt, 04 September 2010 was bad, and the emotional, physical, community and economic recovery was always going to be a long haul, but 22 February 2011 makes it just, so, so much harder,” said BERL economist, Dr Ganesh Nana on 2 March 2011. *“It is going to take years of effort, resources, people, communities and businesses working together to pull Christchurch and Canterbury out of the dust and ruins.”* He goes on to state that New Zealand will be so much the poorer without the capacity, resources, skills and potential that remains in the Christchurch and Canterbury economy. New Zealand needs Christchurch and Canterbury, and Canterbury needs New Zealand. Through the old-fashioned concept of nation building *“it is now in our hands to rebuild a significant part of this nation.”*

“In the short term this will definitely divert resources (people and dollars) away from other industry and business. This will cause some of the conventional economic performance indicators to look sad. But the longer-term goal of restoring the Christchurch, Canterbury and New Zealand economic potential, capacity and opportunities must be paramount.”

Earthquake Recovery Minister Gerry Brownlee has stated that 10,000 houses will need rebuilding following the 22 February earthquake. This preliminary estimate was provided by the Earthquake Commission's geotechnical engineers in the first days after the quake.

Around 3,500 properties already required demolition and rebuilding after the September earthquake with the latest damage being caused by liquefaction, lateral spreading and strong shaking.

Significant decisions need to be made about the suitability of some areas for rebuilding, and the scale of the clean-up and insurance assessments provided following the most recent quake is massive. Last month's earthquake has delayed any rebuilding work that may have occurred this year following the first quake in September. It will be next year before any noticeable progress is made in replacing homes that have been condemned as a result of the disaster. (Source: Infometrics, March 2011 Outlook for the Construction industry)

Paradoxically, replacement of houses destroyed by the earthquakes will also be a major contributor to growth between 2012 and 2014

Barely hanging on...

The Construction Industry has been thrown back into crisis with building consents plunging to record lows according to Statistics NZ

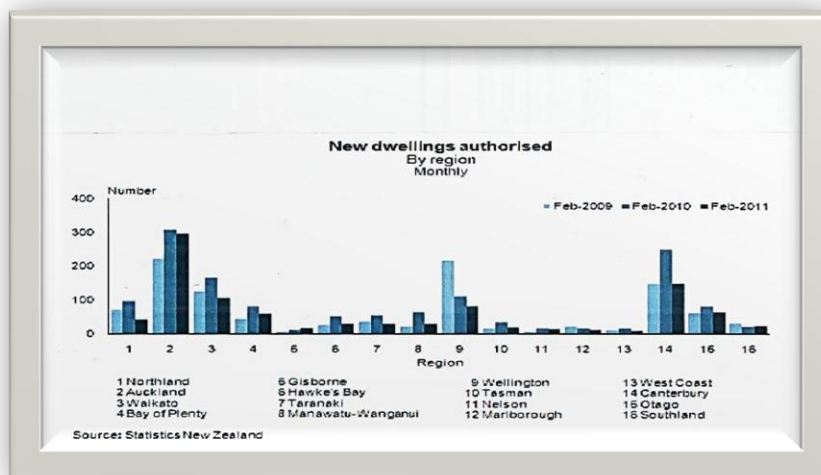


Home and commercial building consents slumped to an eight year low in January, with a total of 867 new homes being the second lowest total in any month since the series began. The building slump took another dive in February, with new house consents falling almost 8%, which is partly reflected by the massive drop in Canterbury due to the quakes.

Although there was a small increase in non-residential consents which were up 2.3% in January the overall value of consents for homes and other commercial building fell 11% to \$537 million. In February the value of building work was just under \$390 million, down 20% and commercial building was down almost 20% to \$257 million compared to the same month last year.

The long term trend indicates that the number of new homes authorised has been in decline since early 2010.

“We expect the earthquakes will have a negative influence on construction activity in the newer term as the focus is on rescue and damage assessment,” said Philip Borkin, economist at Goldman Sachs & Partners. He doesn't expect building consent issuance to pick up until next year, though it will probably become a less relevant gauge for future construction activity with the quake reconstruction and leaky building crisis not involving the consent process.



to a better future...

Employment in most BCITO occupations has been declining over the past few years and is expected to remain at a low level through 2011 as the construction industry struggles through another difficult year.

The anticipated recovery in building activity has been slow in coming and has now been delayed by the Canterbury earthquakes which have also had an immediate negative effect on economic activity, and Infometrics forecast GDP growth for 2011 will be just 1.3%.

Many commentators have focused on the shift in consumer behaviour towards spending less and saving more, and it is increasingly clear that the economy needs a catalyst to kick start a more pronounced and sustained recovery. They foresee a range of positive factors that should boost GDP growth to over 4% pa by the end of 2012,

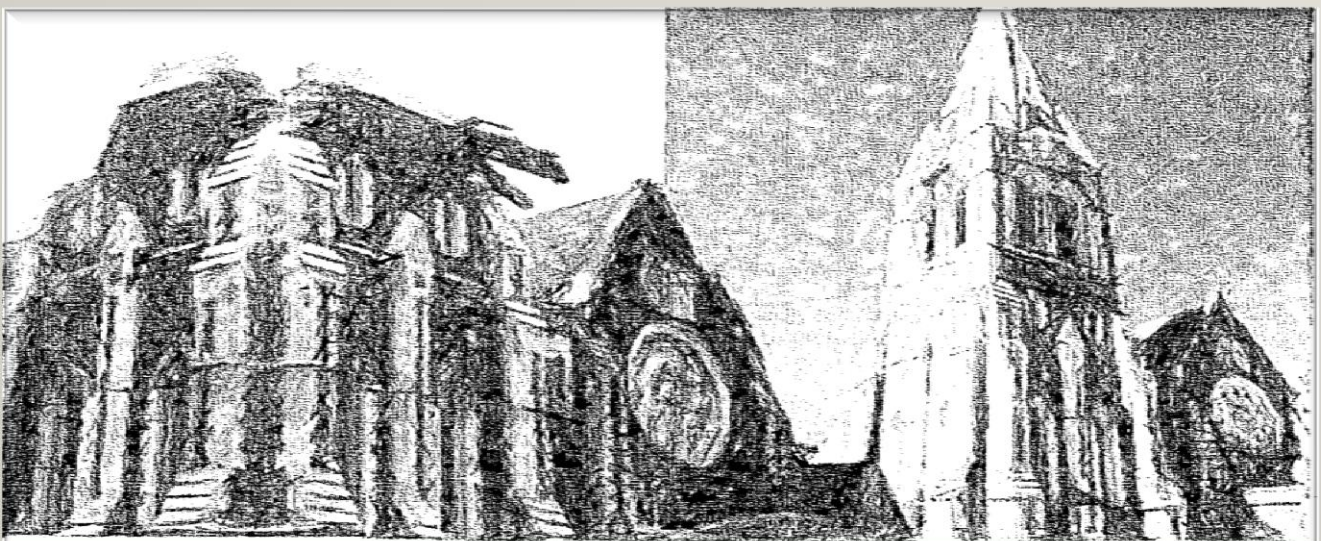
The growth in employment of construction related occupations tends to lag slightly behind the growth in construction activity.

From 2011 onwards the employment of occupations of relevance to BCITO is expected to begin growing again, and by 2013 employment levels are expected to match the levels experienced at the peak of the construction boom in 2007.

After the twin earthquakes, housing shortages are emerging in Auckland and are 'extreme' in Christchurch. With the construction sector focusing on rebuilding Canterbury, building shortages could be made worse in other regions, according to ANZ bank economist Mark Smith.



New Zealand needs to be building around 20,000 to 25,000 new homes each year to maintain its housing stock and capability. 14,663 new homes were constructed in 2010, and fewer than 13,000 in 2009.



Barely hanging on...

Table 4. Employment in BCITO-related occupations, 2010 and 2014

New Zealand Occupation	Employment		Annual new job openings 10-14	Annual % change 10-14	Annual job openings due to replacement 10-14	Total annual job openings
	2010	2014				
Carpentry						
331212 Carpenter	11,560	14,594	759	6.0%	223	982
Cement and concrete						
711199 Clay, Concrete, Stone Processing Mach. Operator	293	414	30	9.0%	7	38
711112 Concrete Products Machine Operator	268	293	6	2.3%	5	11
712914 Concrete Batching Plant Operator	113	113	0	-0.1%	2	2
712915 Concrete Pump Operator	138	187	12	7.8%	2	14
821211 Concreter	1,761	2,166	101	5.3%	30	131
839911 Cement and Concrete Plant Worker	859	1,068	52	5.6%	14	67
Floor and wall tiling						
333411 Wall and Floor Tiler	1,541	2,001	115	6.7%	29	144
Proprietary plaster and cladding						
333211 Fibrous Plasterer	1,577	2,127	138	7.8%	31	168
Solid plaster						
333212 Solid Plasterer	2,468	3,494	256	9.1%	48	305
Other						
133111 Construction Project Manager	3,662	4,821	290	7.1%	73	363
133112 Project Builder	26,295	34,776	2,120	7.2%	497	2,618
233213 Quantity Surveyor	1,518	1,748	57	3.6%	39	97
312114 Construction Estimator	294	380	22	6.6%	4	25
Total occupations	52,348	68,181	3,958	6.8%	1,005	4,963

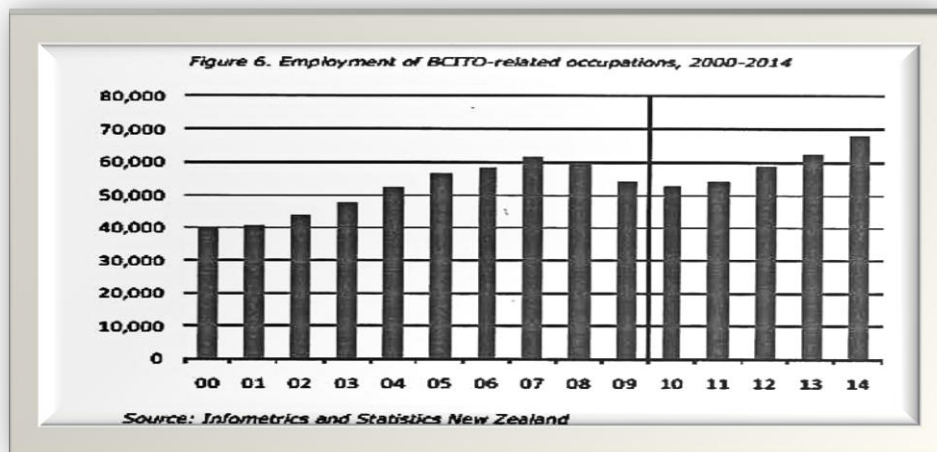
(Source: Infometrics and Statistics New Zealand)

Invest in skills for future

Sixteen thousand more skilled workers will be needed by 2014. Firms that do not start planning and training now for their future labour needs face rising recruitment cost and the potential for significant labour and skill shortages, as the demand for building and construction grows.

"It is imperative the construction sector does not contract further as the industry will struggle to cope when the market eventually responds. When one adds to that the builders required for the Canterbury recovery and to fix leaky building once the Financial Assistance Package Bill is passed, then we have... a significant skills shortage looming in the next twelve to eighteen months. We simply cannot afford to lose any more skilled tradespeople at a time when we need them the most."

(Source: Registered Master Builders Federation CEO Warwick Quinn)



Mr Quinn goes on to say that there is spare capacity in the system at present, and liquidity pressure was building in the Canterbury region as a result of the September quake. While major rebuilding work was on the verge of commencement, it has stalled as a result of the February quake, and it is vital that rebuilding work commences immediately and work be provided to Canterbury tradespeople as a matter of priority.

For assistance in planning your investment in training, call BCITO at 0800 4 BCITO (0800 422 486)