

Building Sector

Ready-Mix Concrete — No Signs of Drying Up

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3Q20 ready-mix concrete (RMC) production confirms a solid rebound in NZ construction activity post lockdown with volumes +37% qoq/+4% yoy in the September quarter. Regionally, the rebound was broad based but Auckland saw a modest contraction with volumes -1% yoy, likely due to the second lockdown. The solid 3Q20 RMC volumes is consistent with FBU's recent trading update where NZ revenue was +4% over the four months to October. While RMC volumes can be lumpy they should remain robust near term with solid NZ residential activity offsetting a slowing non-residential pipeline.

Solid rebound out of lockdown

RMC volumes can be volatile quarter-to-quarter, exacerbated in the 3Q20 rebound following the nationwide lockdown in 2Q20. Volumes were up +37% qoq/+4% yoy in the September quarter taking production back to record levels. Activity levels rebounded strongly across all regions. The rebound was particularly strong in Wellington up +11% yoy, Regional North Island up +24%, and Regional South Island up +8%. Auckland, the largest region, was down -1% yoy, which we suspect reflects impacts from the second lockdown and potentially lower non-residential volumes with projects delayed or deferred. The downward trend in Canterbury activity remains, with volumes down -6% as projects related to post-earthquake rebuilds (including Kaikoura) roll-off.

Aligns with FBU's trading update

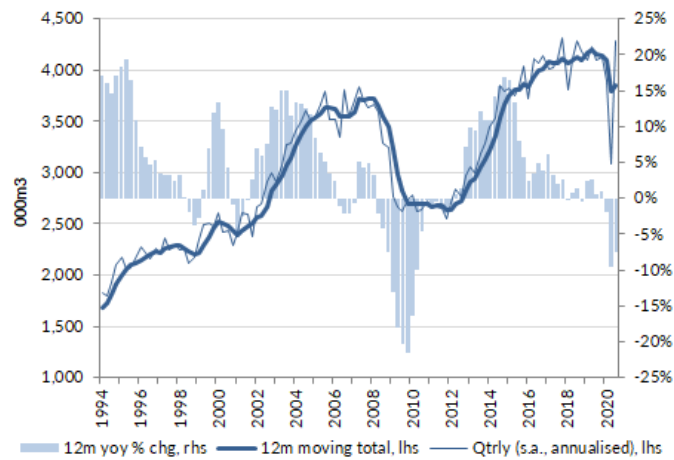
3Q volumes are in line with FBU's recent trading update where NZ revenue (ex. construction and residential development) was up +4% with the concrete division +6% (but this also encompasses cement and aggregate). FBU will provide 1H21 guidance at its ASM on 25 November and expects to be able to provide full year guidance with its 1H21 results in February 2021. Management remains cautious on the medium term given limited order book visibility beyond early CY21. We expect NZ residential activity to remain robust, underpinned by low interest rates and tight supply, but offsetting this is the non-residential pipeline which has thinned and is likely to weigh on activity over the year.

Figure 1. NZ ready-mix concrete production

000m ³	3Q20	yoy % chg	12m total	yoy % chg
Auckland	381	-0.9%	1,380	-12.0%
Waikato-Bay of Plenty	197	+4.5%	705	-5.2%
Wellington	62	+11.3%	221	-0.5%
Regional North Island	175	+23.7%	583	0.5%
Canterbury	140	-6.3%	528	-12.0%
Regional South Island	125	+8.8%	430	-2.8%
Total	1,080	+4.4%	3,846	-7.4%

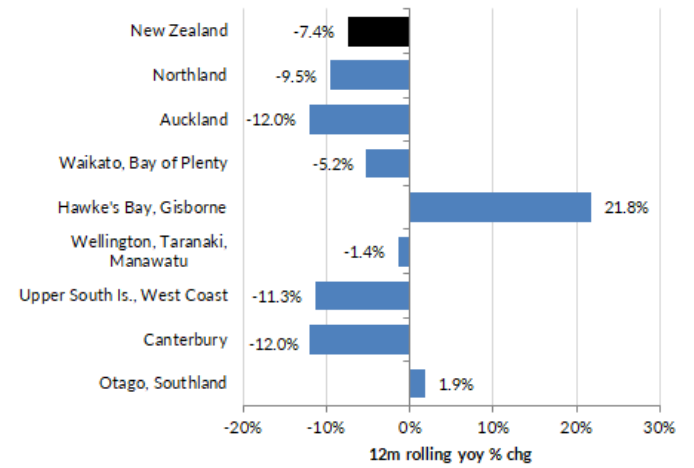
Source: Forsyth Barr analysis, Stats NZ

Figure 2. NZ ready-mix concrete production



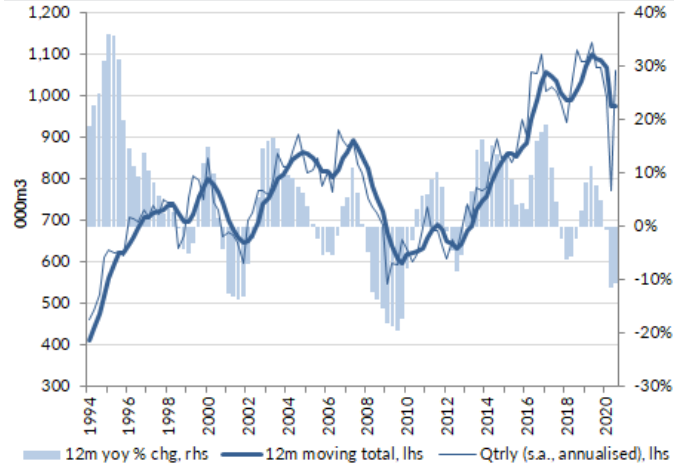
Source: Forsyth Barr analysis, Stats NZ

Figure 3. Ready-mix concrete production (12m rolling yoy % chg)



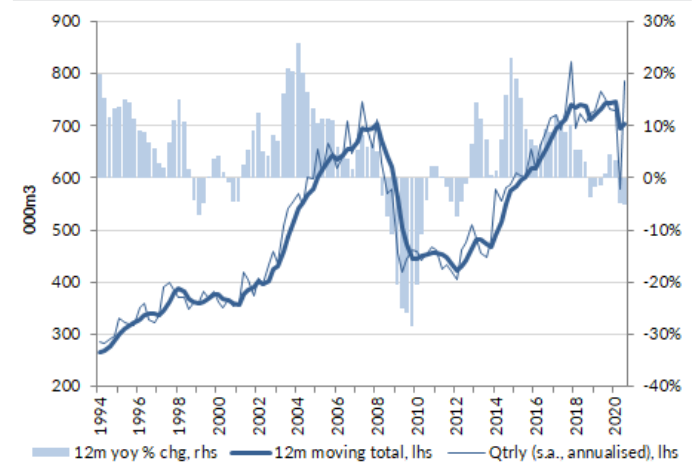
Source: Forsyth Barr analysis, Stats NZ

Figure 4. Auckland ready-mix concrete production



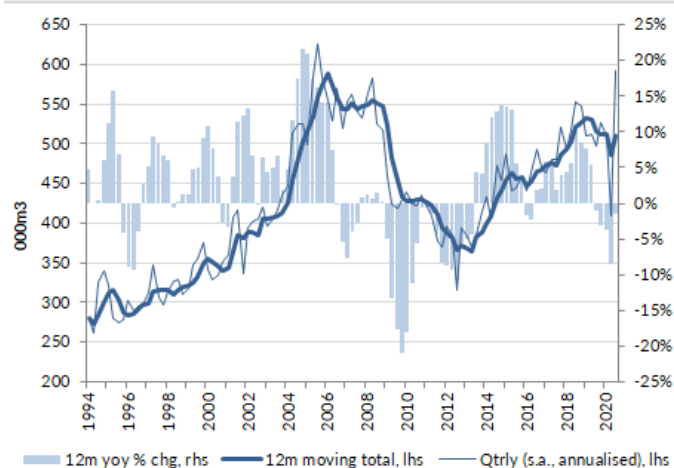
Source: Forsyth Barr analysis, Stats NZ

Figure 5. Waikato-Bay of Plenty ready-mix concrete production



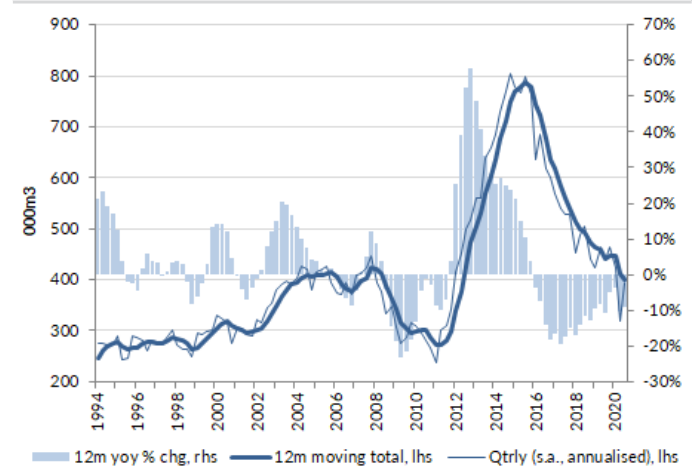
Source: Forsyth Barr analysis, Stats NZ

Figure 6. Lower North Island ready-mix concrete production



Source: Forsyth Barr analysis, Stats NZ

Figure 7. Christchurch ready-mix concrete production



Source: Forsyth Barr analysis, Stats NZ

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