



Deep Dive into the Construction Sector

September 2025

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Methodology Note and Definitions

Rolling Annual Purchases

Purchases are measured from the perspective of debtors (the purchaser side of an invoice), rather than vendors. Debtors are classified using industry codes from the Companies Office, with corrections applied where necessary. This approach ensures we capture aggregate activity specifically within the construction sector, rather than vendor activity which may span multiple industries.

To smooth seasonality and month-to-month volatility, we calculate rolling annual purchases (the sum of the previous 12 months of activity to each reference point) and then index these results. Index anchor points are stated in each chart or table.

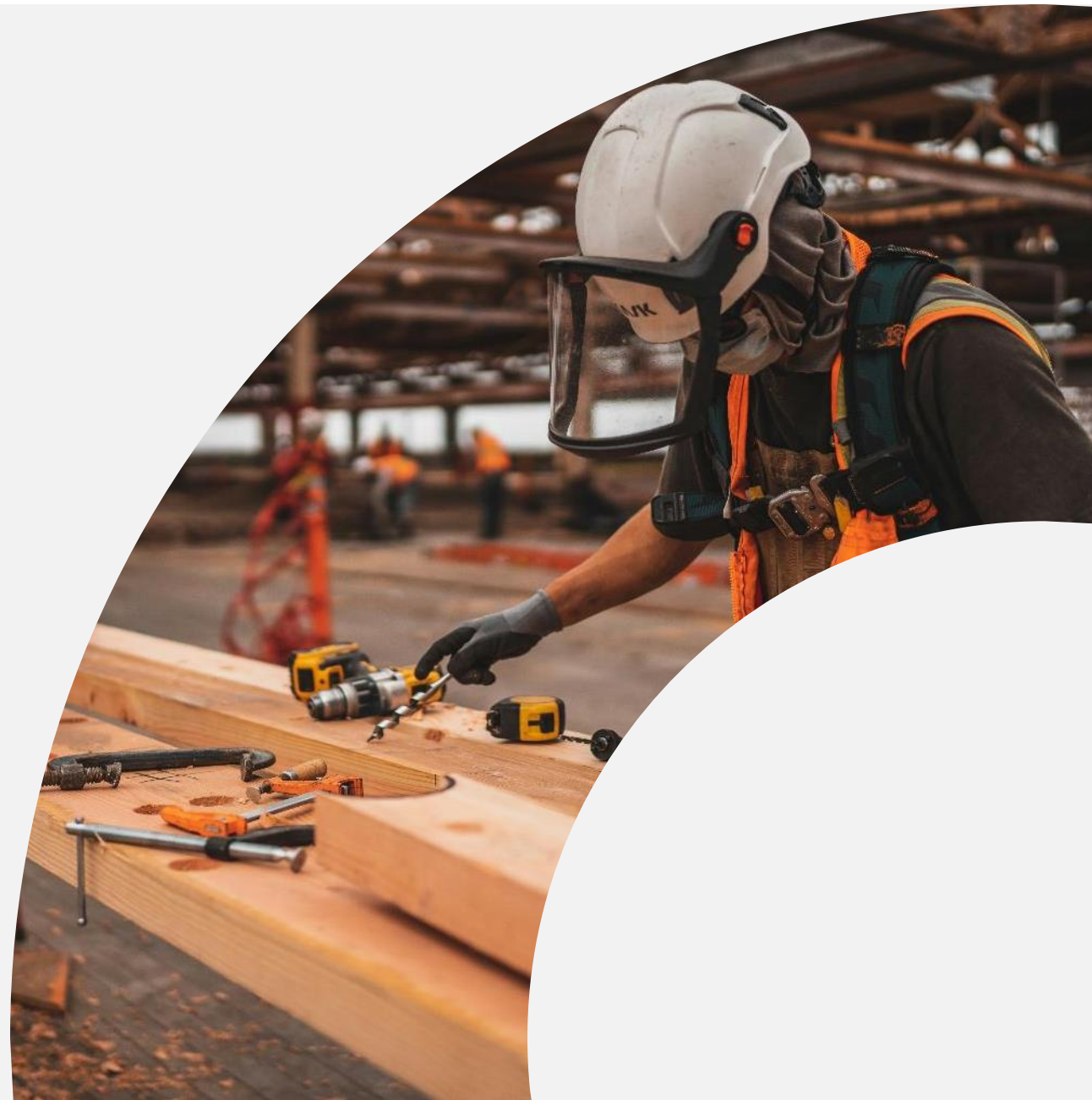
Inflation Adjustment

Where monetary values are used (e.g. rolling annual purchases, consent values), figures are adjusted for inflation before indexing. The adjustment is based on the Producer Price Index (PPI) that reflects input costs faced by construction firms. In most cases, the PPI level at the chosen index anchor date is used as the adjustment base to reduce complexity.

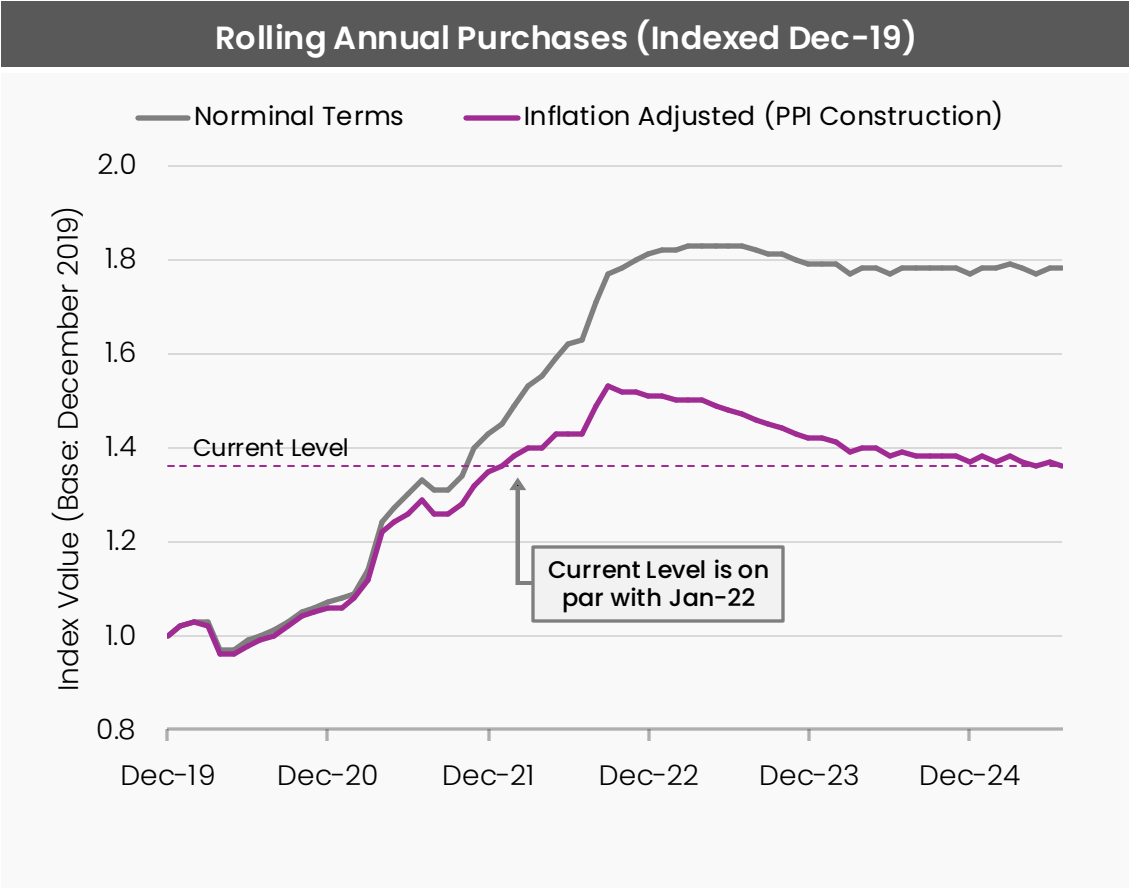
Arrears Metrics

Arrears are expressed as the proportion of overdue invoices in the debtor population. Specifically, 60DPD+ arrears represent the total value of invoices outstanding for more than 60 days past due, divided by the total value of outstanding invoices. As arrears are expressed in percentage terms, no inflation adjustment is required.

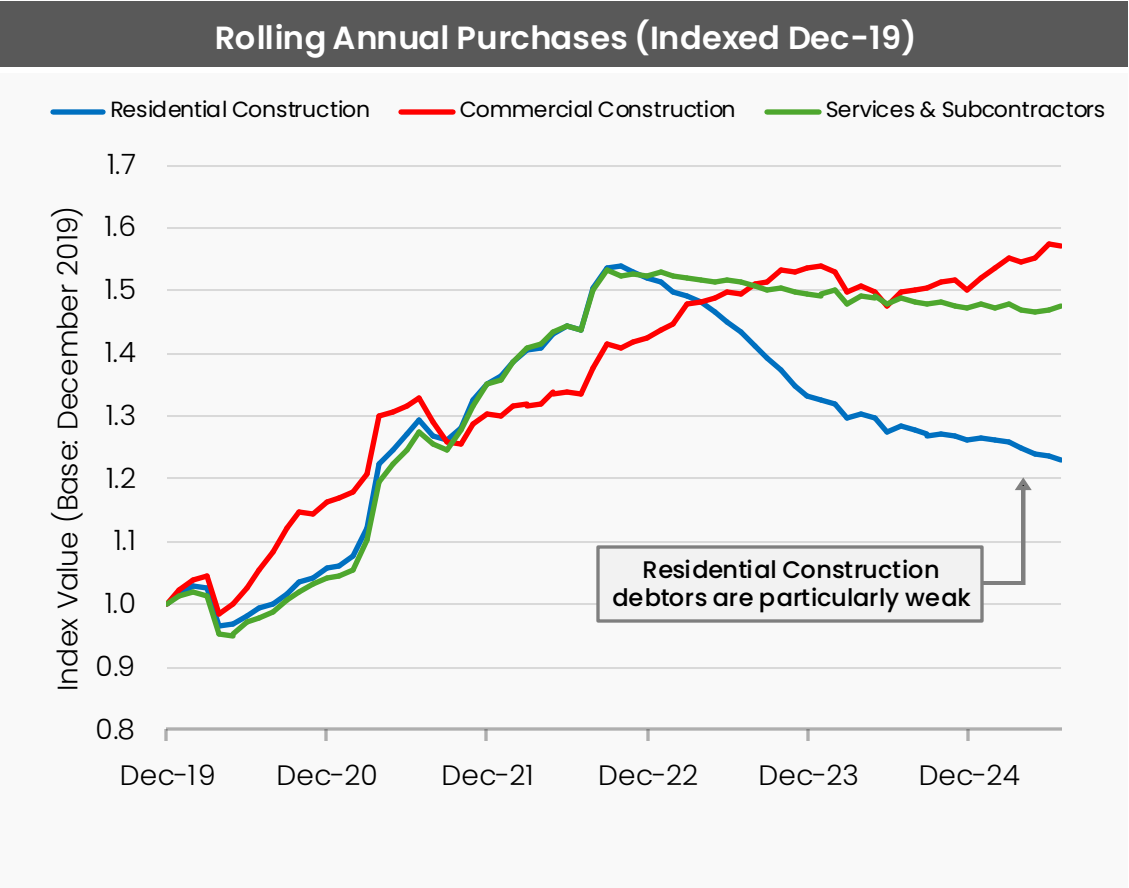
Overall Construction Sector Insights



Rolling Annual Construction Purchases are flattening after adjusting for inflation, but Residential Construction debtors continue to show weakness.



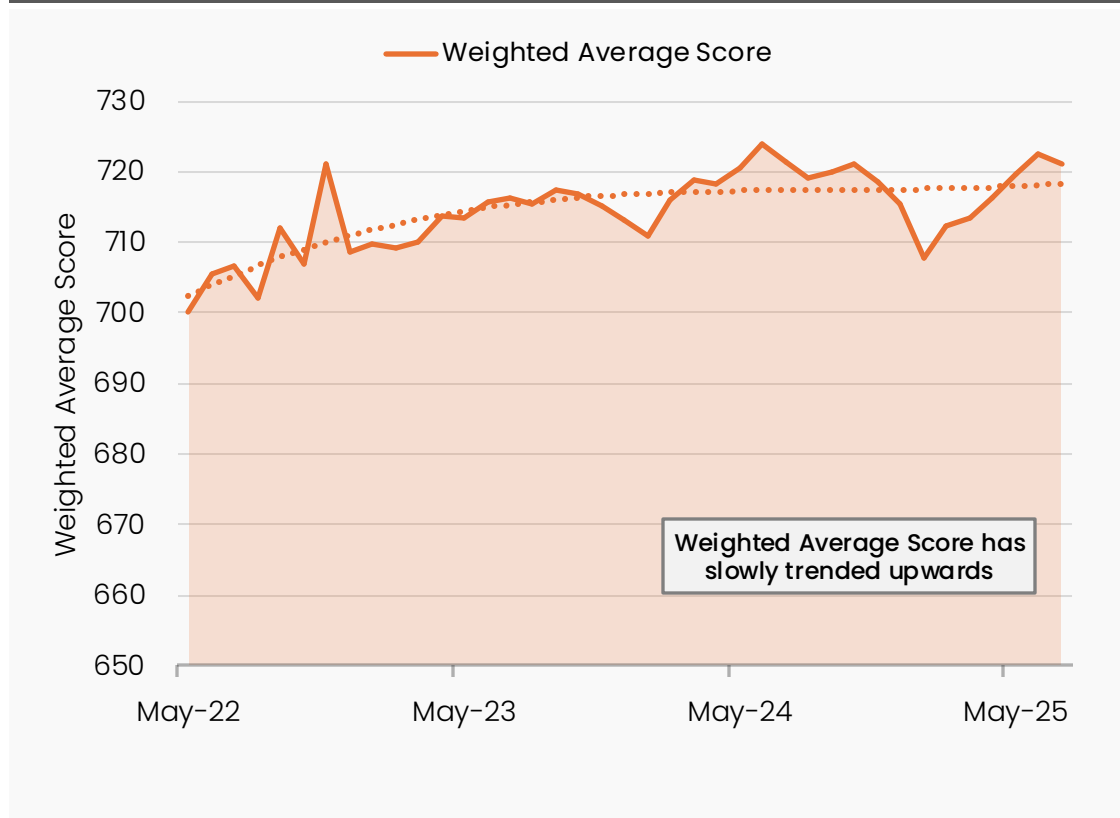
Source: CreditWorks



Source: CreditWorks

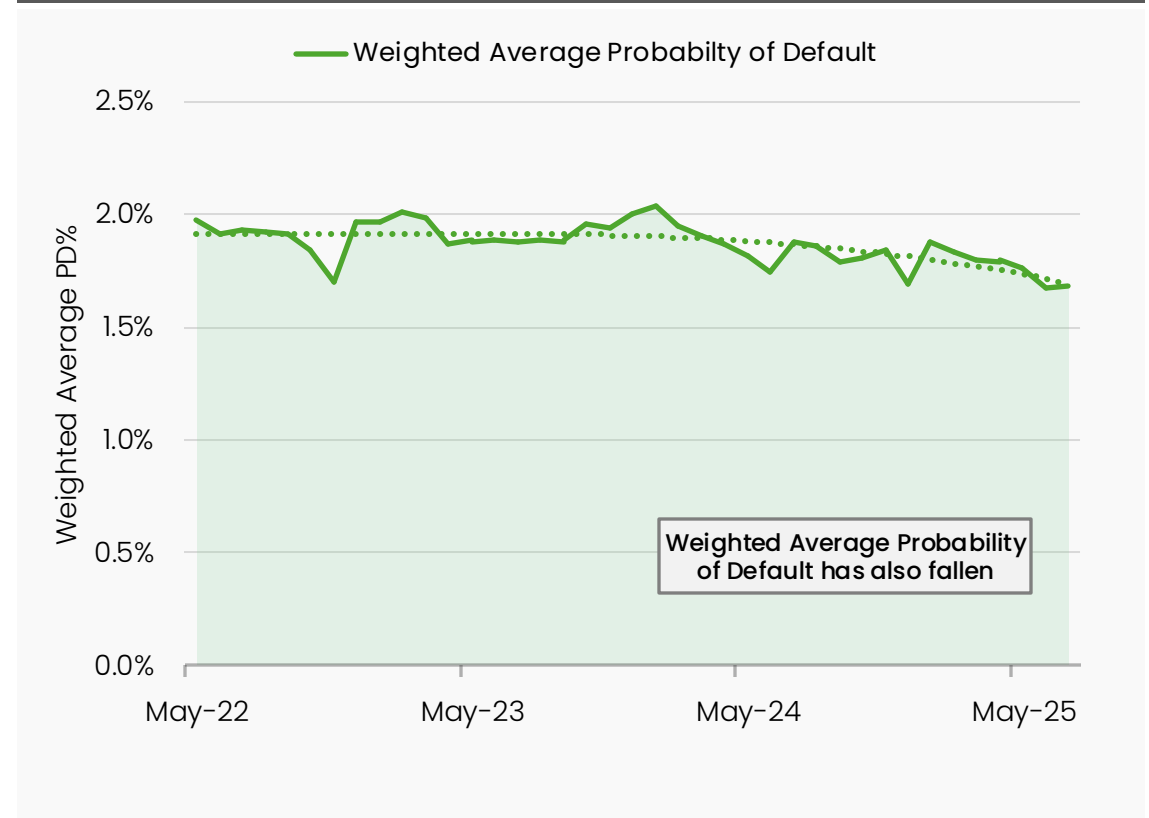
Debtors remaining active through the downturn are of slightly higher quality, with **weighted average scores rising** and **default probabilities falling**.

Weighted Avg. Score for Construction Purchases



Source: CreditWorks

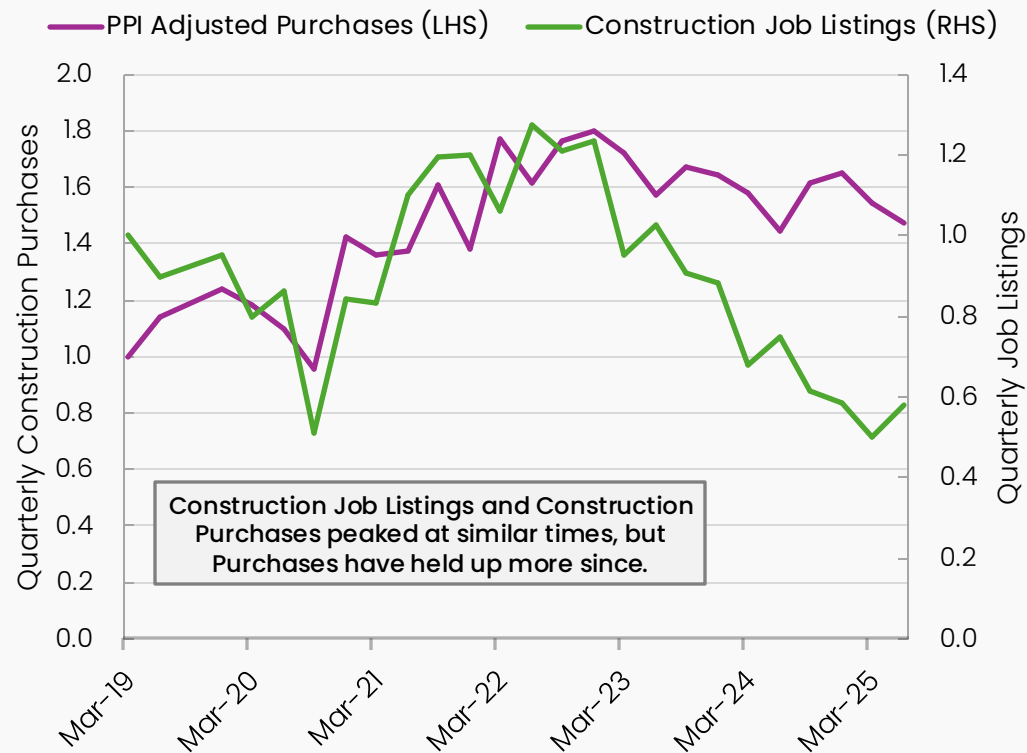
Weighted Avg. Probability of Default for Construction Purchases



Source: CreditWorks

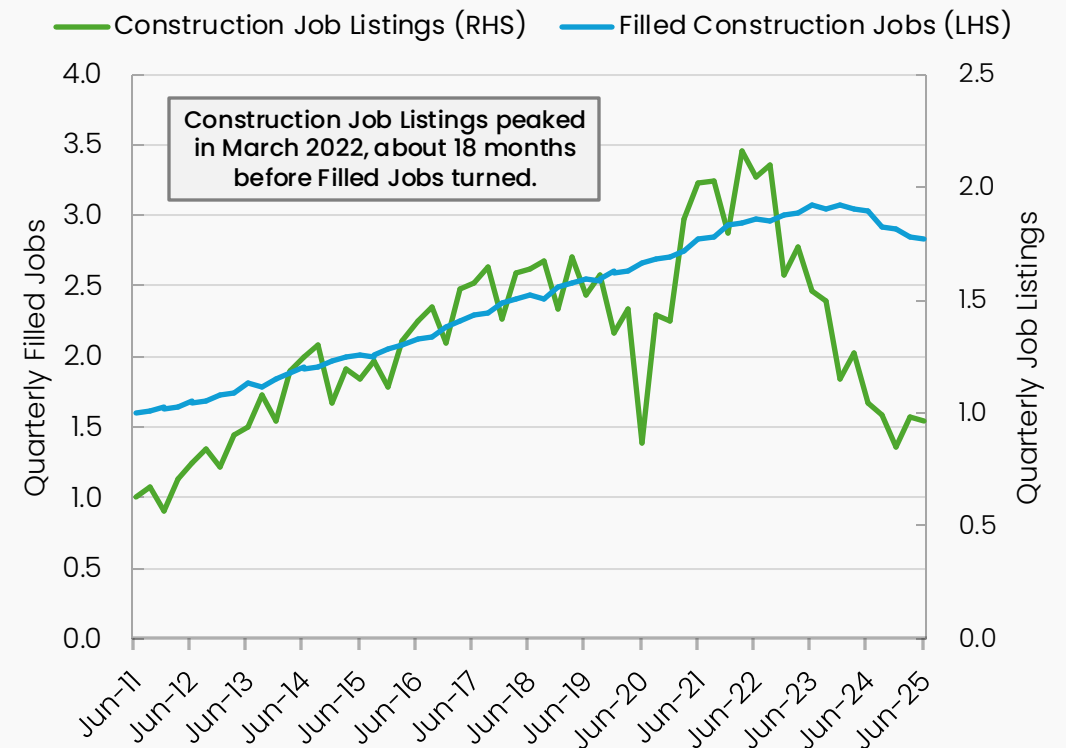
Construction **job listings** and **filled roles** are both declining. Job listings peaked in line with **purchases** but are now falling away more quickly.

Job Listings vs. Rolling Annual Sales (Indexed Mar-19)



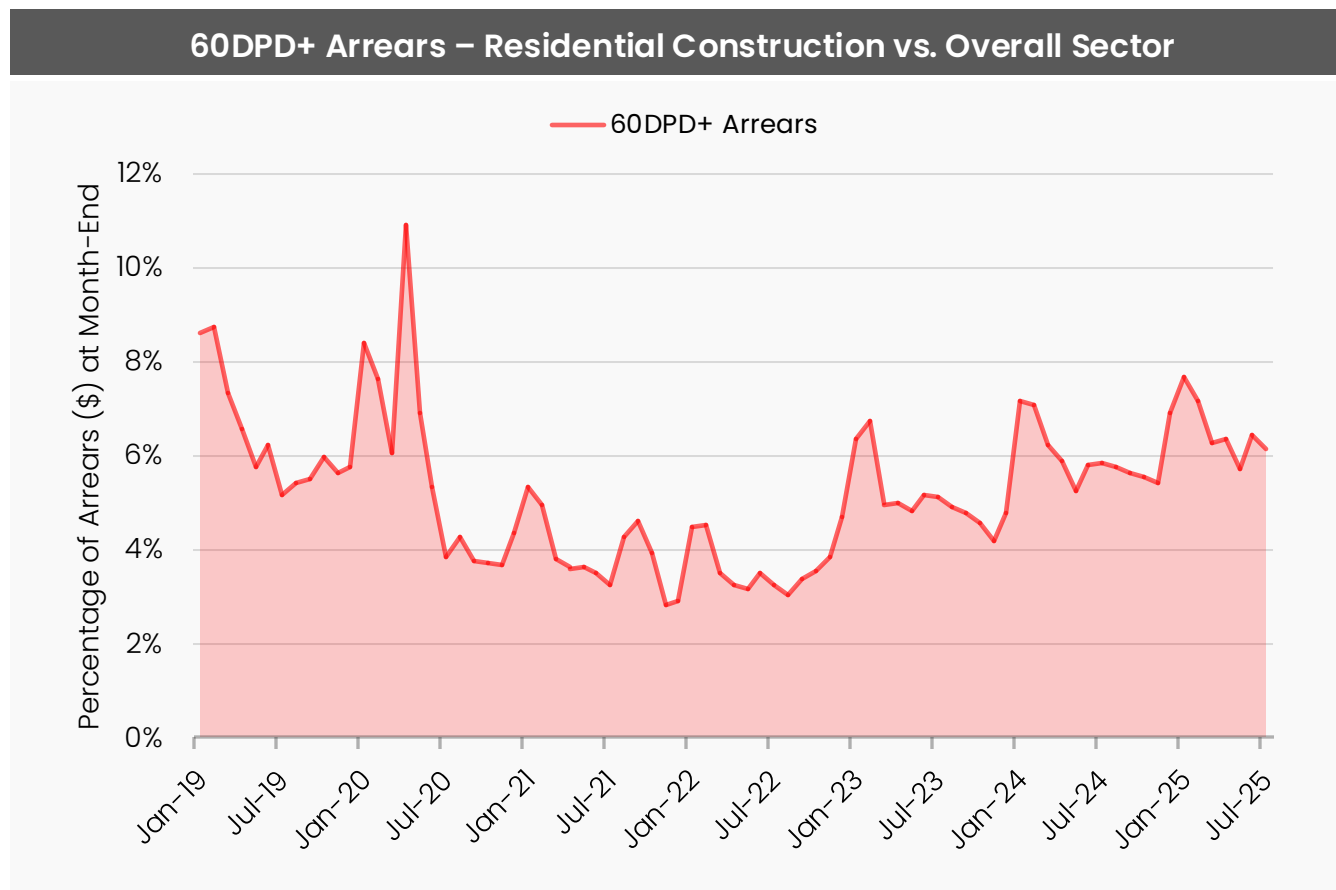
Source: CreditWorks, Ministry of Business, Innovation and Employment

Filled Construction Jobs vs. Job Listings (Indexed Jun-11)



Source: Stats NZ, Ministry of Business, Innovation and Employment

Baseline 60DPD+ arrears have risen steadily since the 2022 cyclical low, aside from seasonal year-end spikes and are slightly above pre-COVID levels.

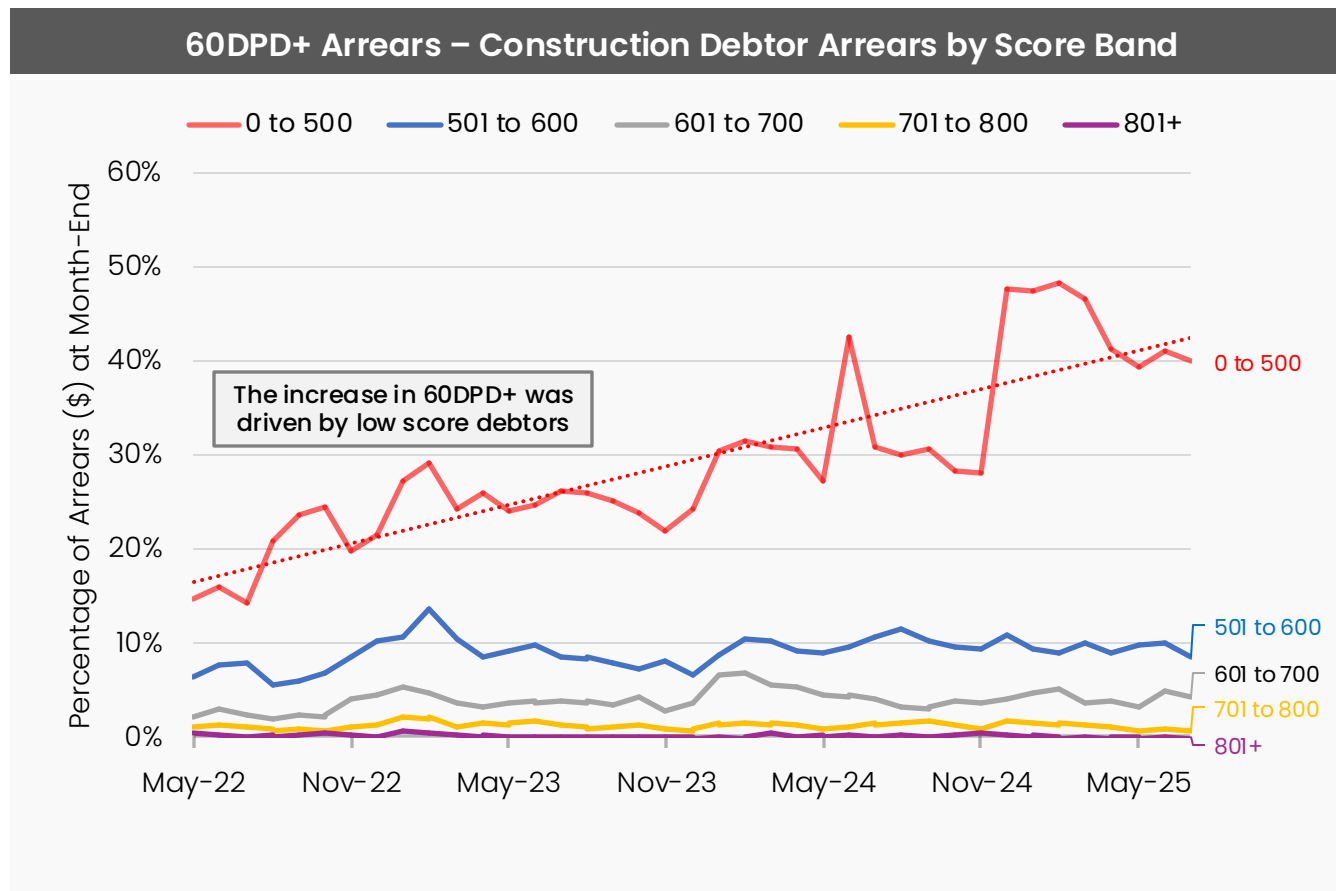


Source: CreditWorks

- Current arrears are around 300bps above the cyclical low in 2022.
- The pattern has been consistent: a seasonal Jan-Feb spike, followed by partial normalisation, though not back to pre-spike levels.
- The pace of deterioration has slowed between 2024 and 2025.
- Arrears are now roughly 50bps higher than pre-COVID levels.
- As of July 2025, arrears are 27bps higher than the same time last year.

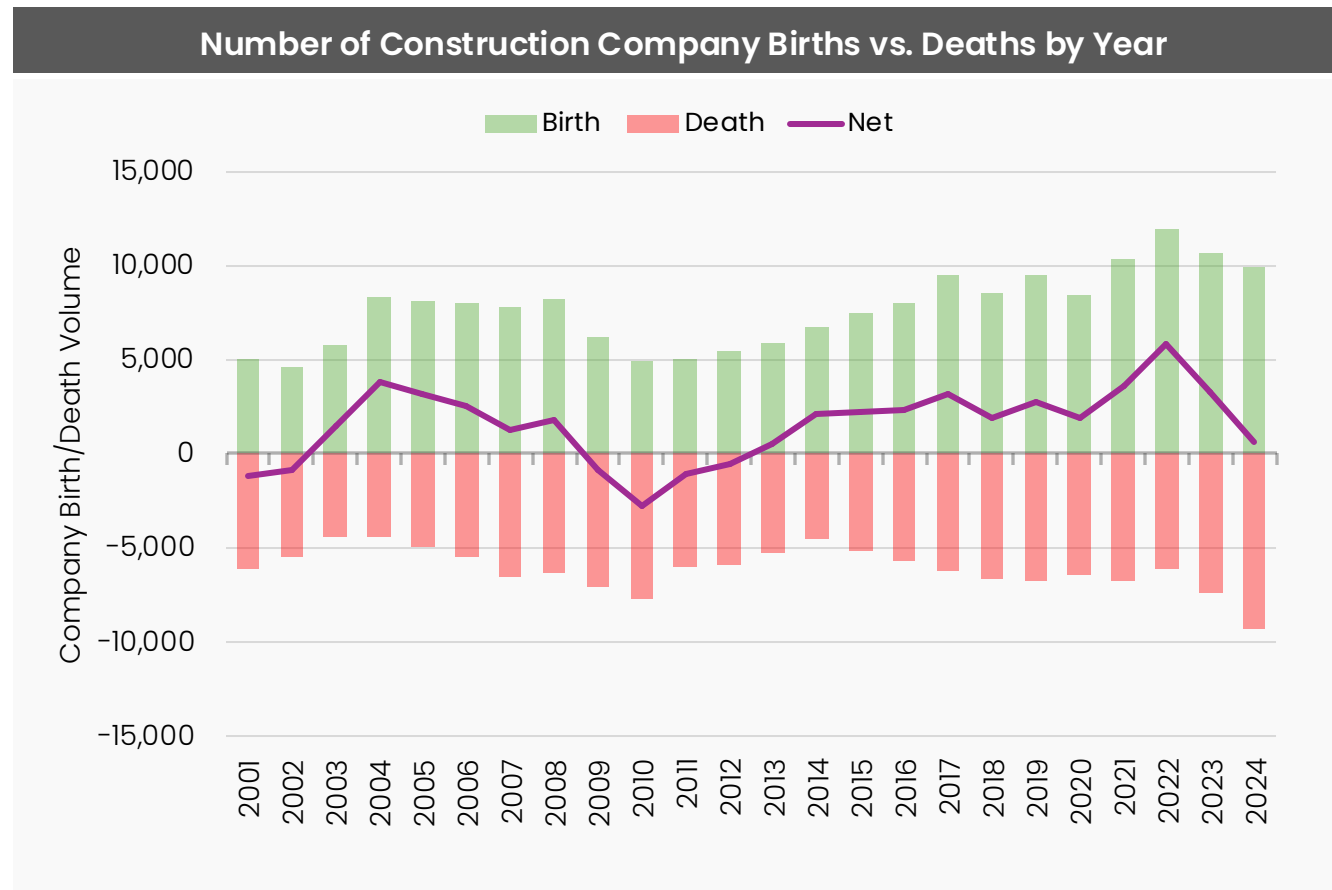


The rise in 60DPD+ arrears since the cycle low point is being driven by **lower-scoring debtors (< 500)**.



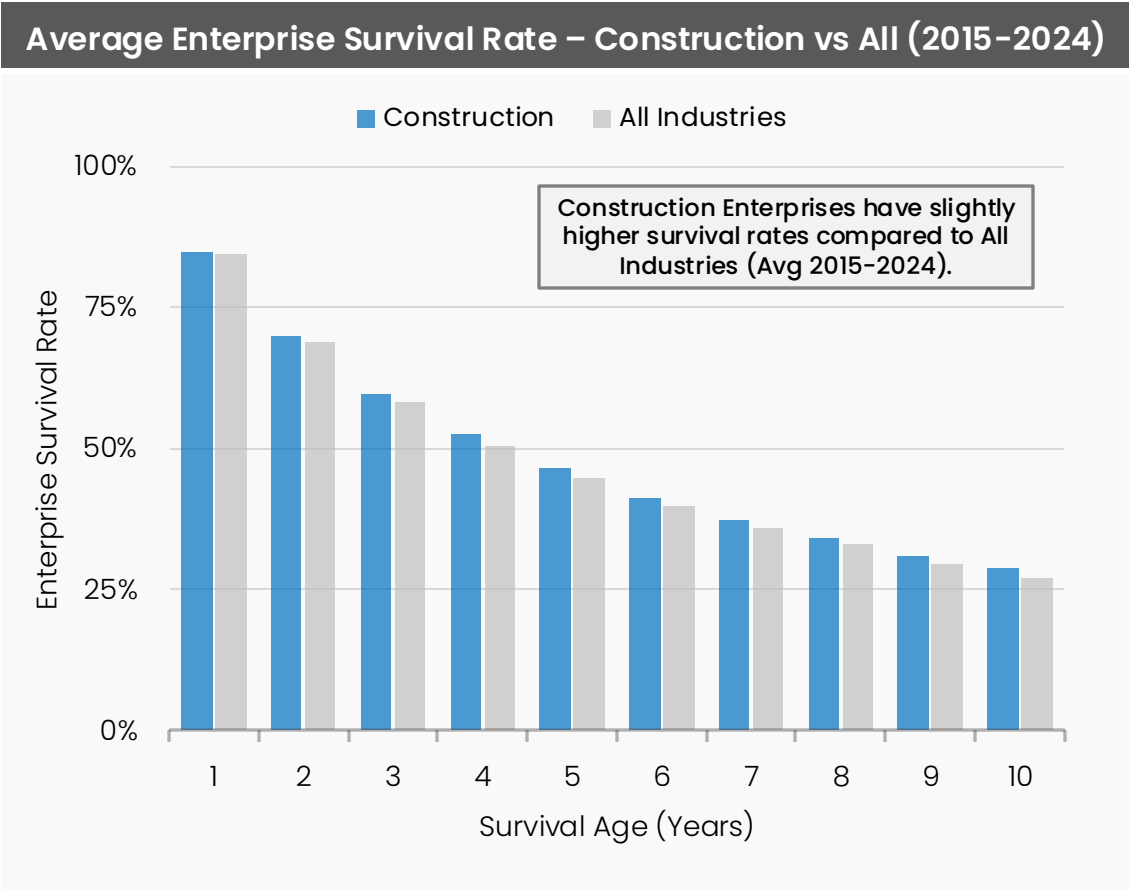
- Since the cyclical low point in 2022, the increase in 60DPD+ arrears has been driven primarily by **debtors scoring under 500**. Arrears among higher-scoring debtors have remained comparatively stable.
- A breakdown of 60DPD+ arrears by score band confirms that the scorecard settings align well with Construction debtors. While historical arrears influence scores, the scorecard also draws from other industry sectors, and the relationship holds specifically in Construction. Lower score bands consistently show higher arrears over time.

Construction enterprise **births** still exceed **deaths**, though the **net surge** seen in the 2021–22 boom is normalising as the economy slows.

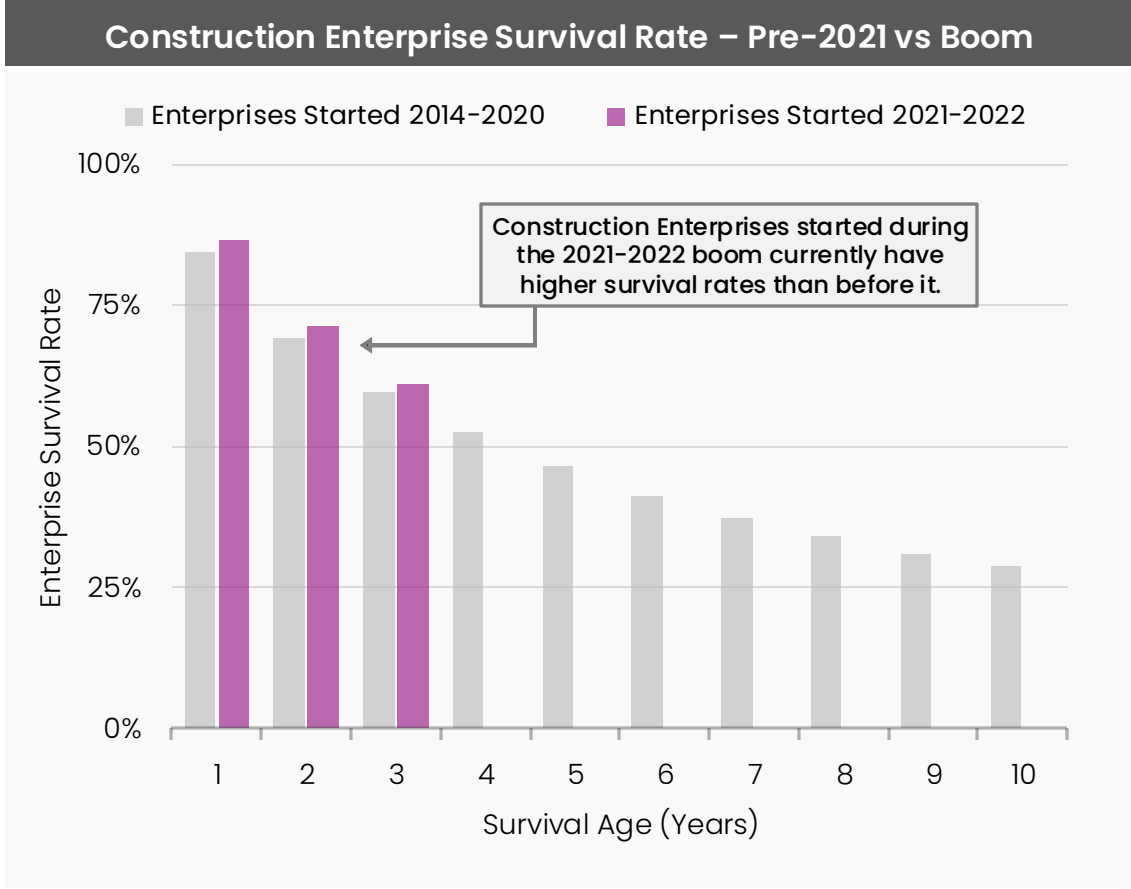


- Company closures in the construction sector have increased in the current downturn.
- However, the number of company births has historically outpaced deaths, and that relationship remains intact today.
- The 2021–22 boom years saw a strong ramp-up in net company births, as new entrants responded to heightened demand.
- Birth rates have since eased back as the economy has tightened, but remain higher than death rates, sustaining a positive net balance.

Stats NZ data shows that Construction Enterprises started during the 2021-2022 boom have slightly higher survival rates.



Source: Stats NZ



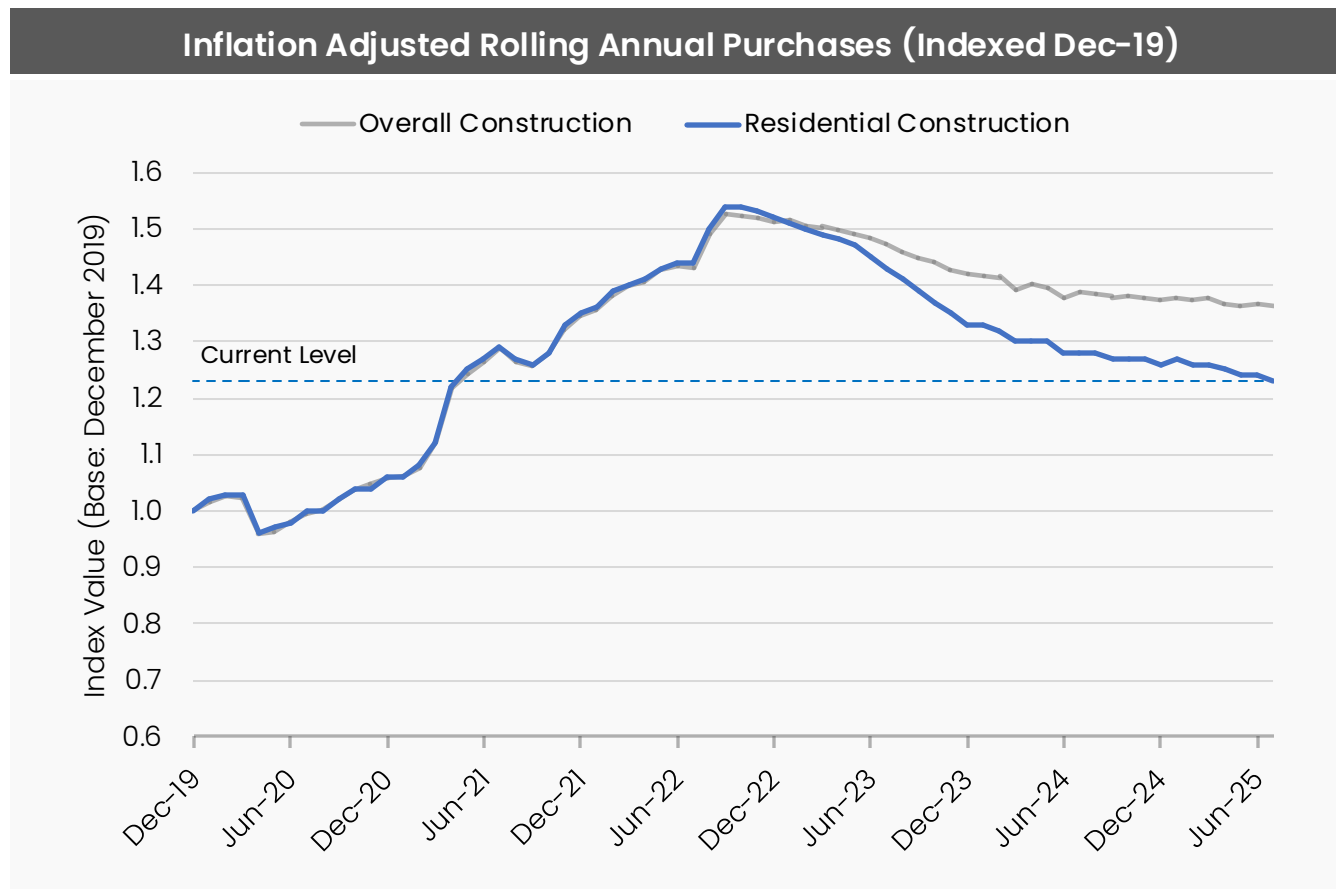
Source: Stats NZ

Residential Construction Sector Insights





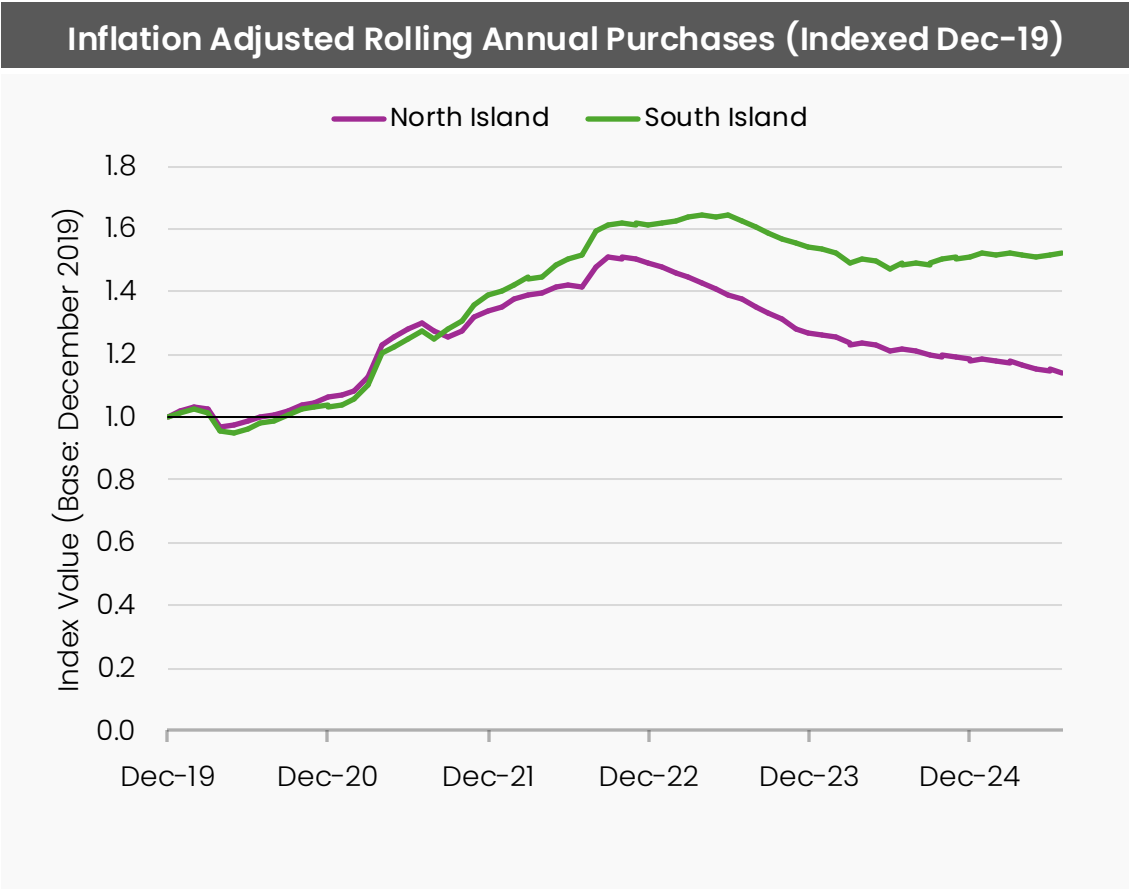
Residential Construction purchases continue to weaken on a rolling annual basis, back to levels seen about a third of the way into the upturn.



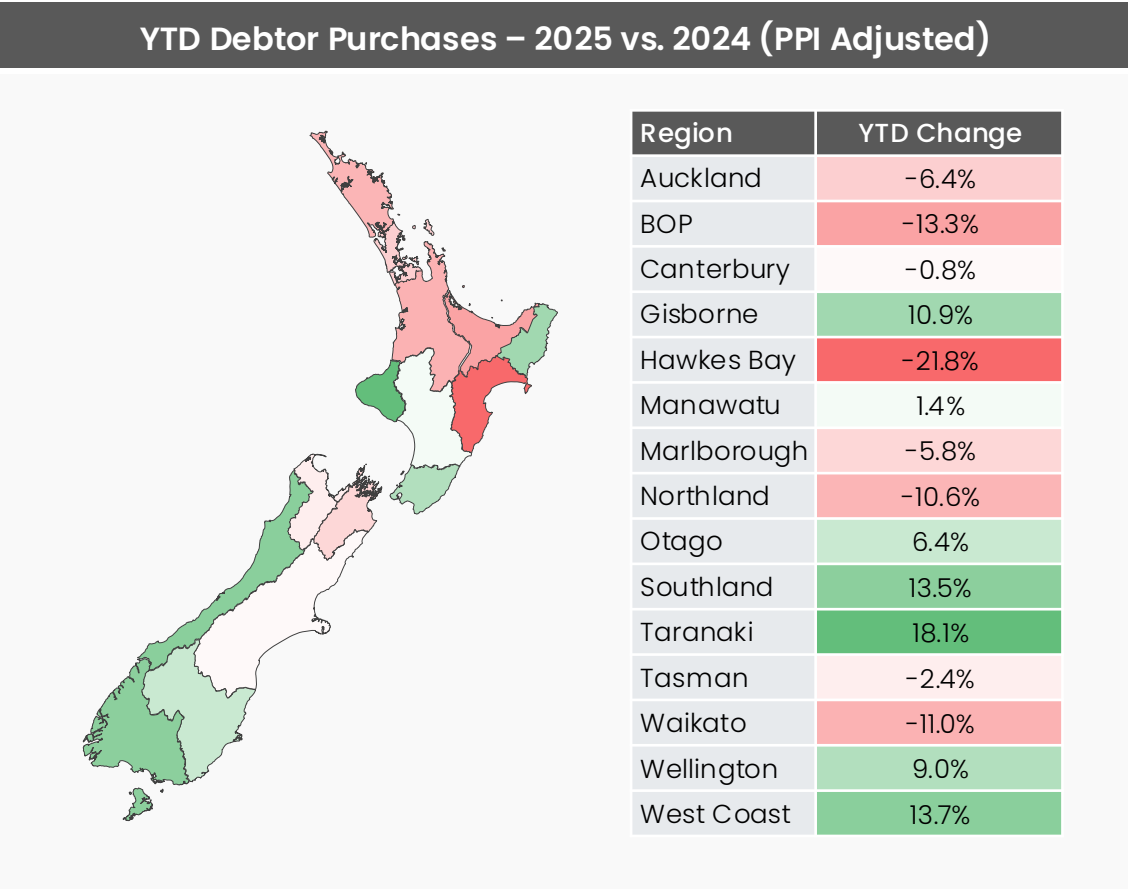
Source: CreditWorks

- Rolling annual purchases are weakest for **Residential Construction debtors** (head contractors) compared with Commercial Construction and Subcontractor debtors.
- Purchases have declined 4.1% since July 2024 and are down 20.0% from the cycle's peak in October 2022.
- Despite this decline, current levels are similar to April 2022, roughly a third of the way into the last upturn.

Residential Construction is seeing a ‘K-shaped’ cycle: **North Island purchases** are down 25% and still retreating, while **South Island** are 7% lower but now recovering.

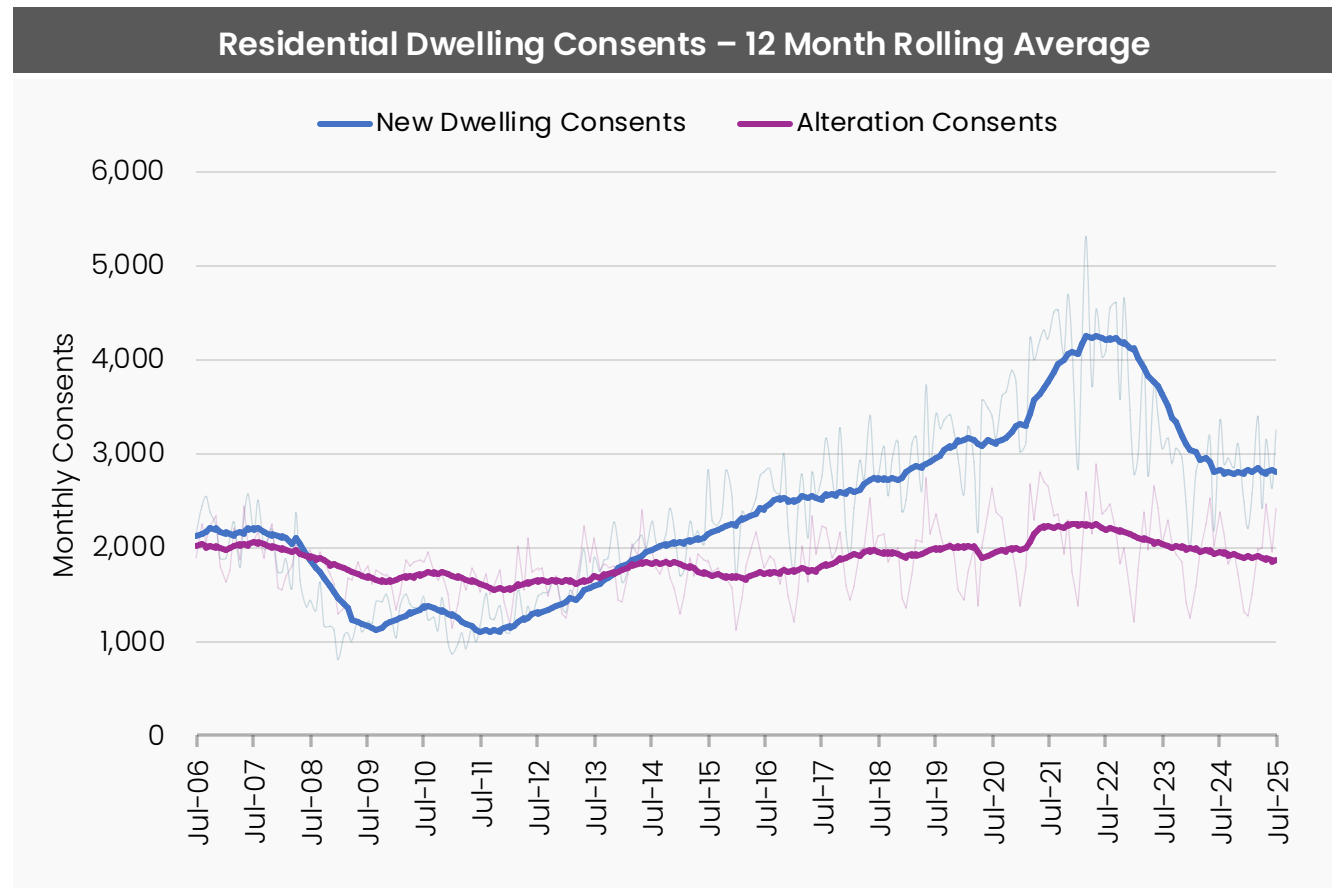


Source: CreditWorks



Source: CreditWorks

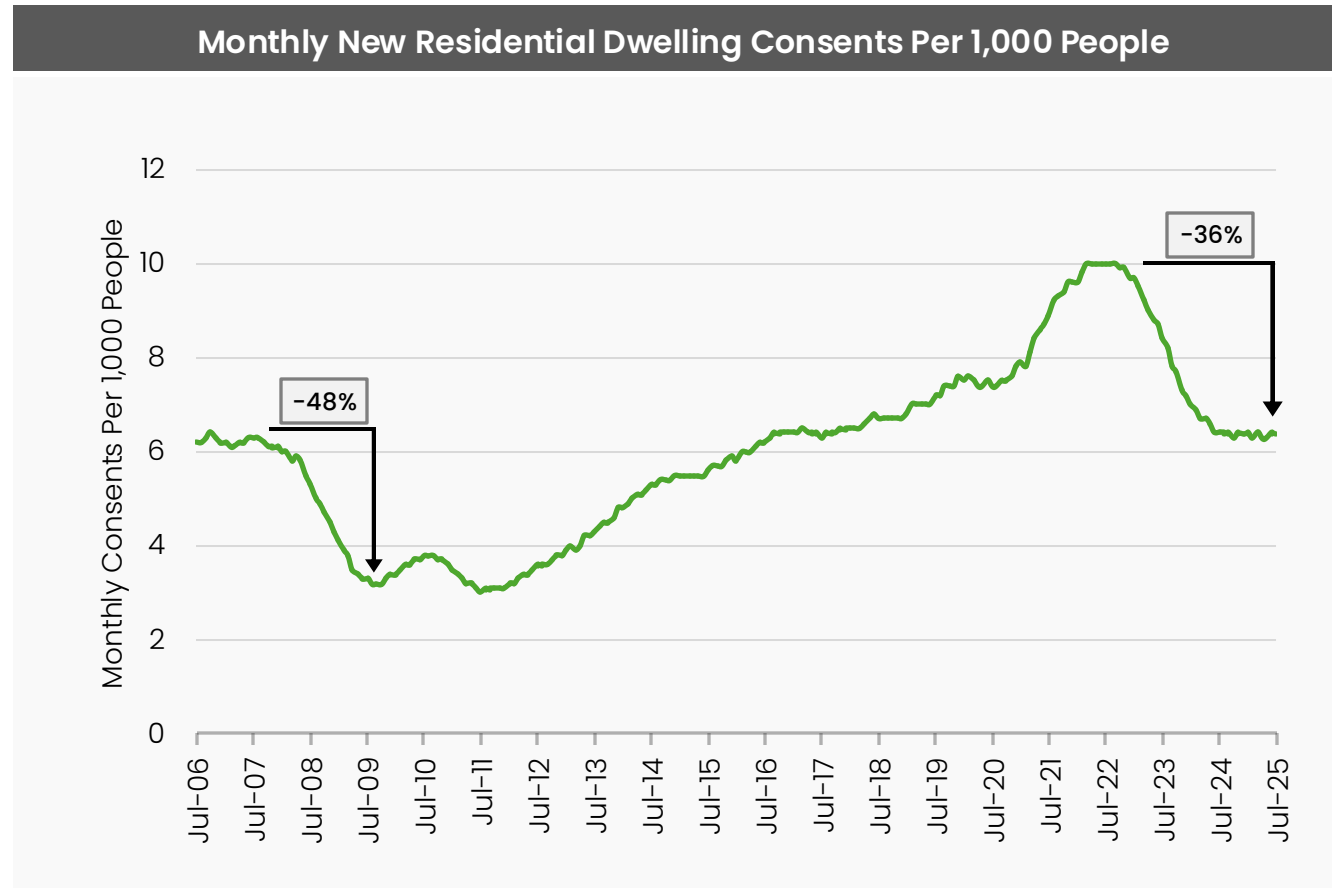
New Dwelling consents have bottomed out, signaling a likely flattening in overall Residential Construction purchases.



Source: Stats NZ

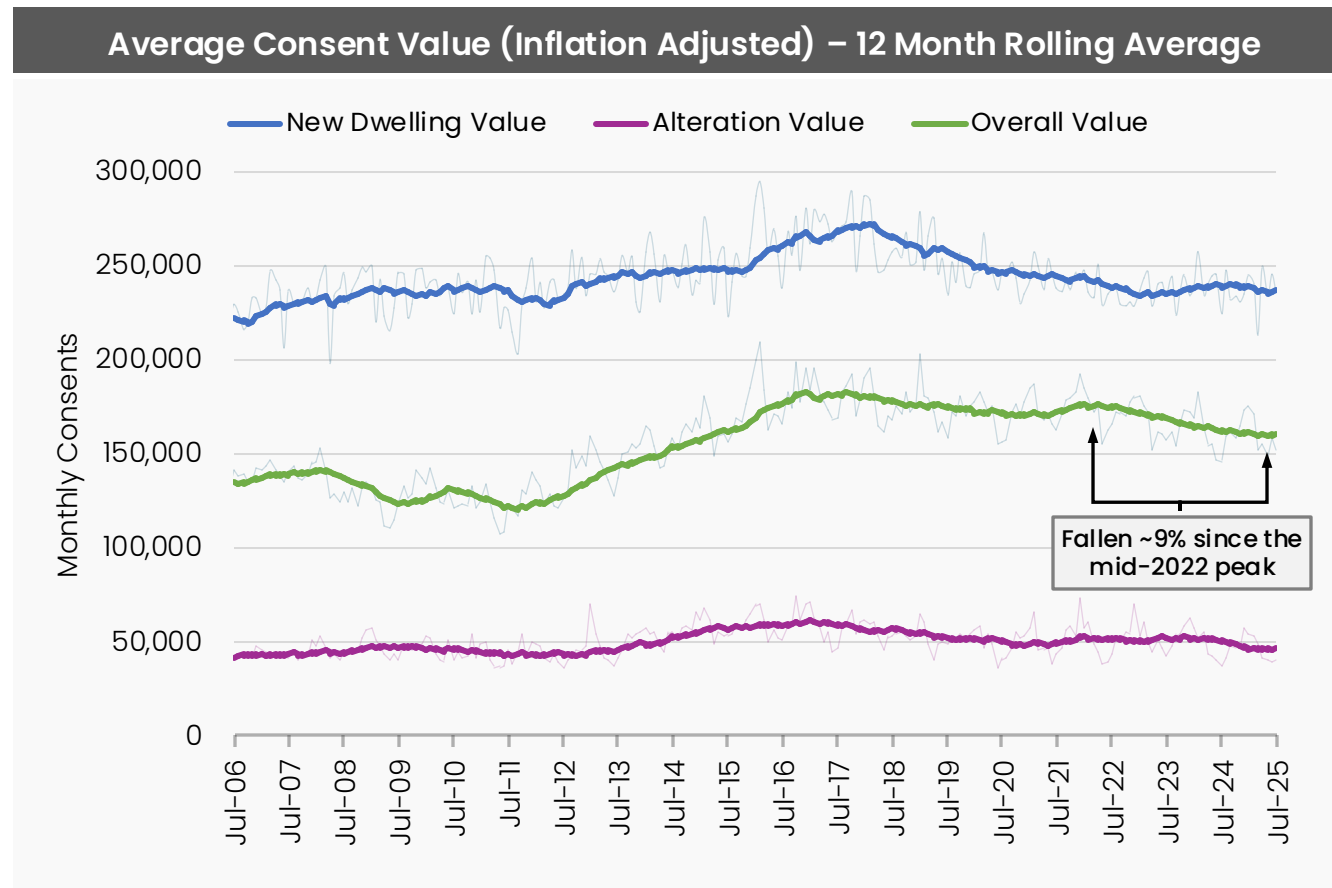
- **New Residential Dwelling Consents** have levelled off and appear to hit the bottom of the cycle, averaging about 2,800 per month.
- If this is indeed the low point of the current cycle, then an eventual recovery would be starting from a level similar to the one seen mid-cycle (Q1 2019).
- **Alteration Consents** are steadily falling, underpinned by cost-of-living pressures.
- August 2025 changes to consent exemptions will suppress this alterations trend in future – but they do not change the level of purchasing activity.

The current downturn in **population-adjusted new dwelling consents** is about three-quarters the scale of the fall recorded during the GFC.



- **New Dwelling Consents Per 1,000 People** fell ~36% from peak to trough in the current cycle, compared to a ~48% fall through the 2007/08 Global Finance Crisis.
- After adjusting for population growth, the level of consenting for new residential dwellings is on par with the levels seen early 2018 and above the pre-GFC level.

The inflation adjusted average consent value for residential buildings has fallen about 9% since its peak in mid-2022.



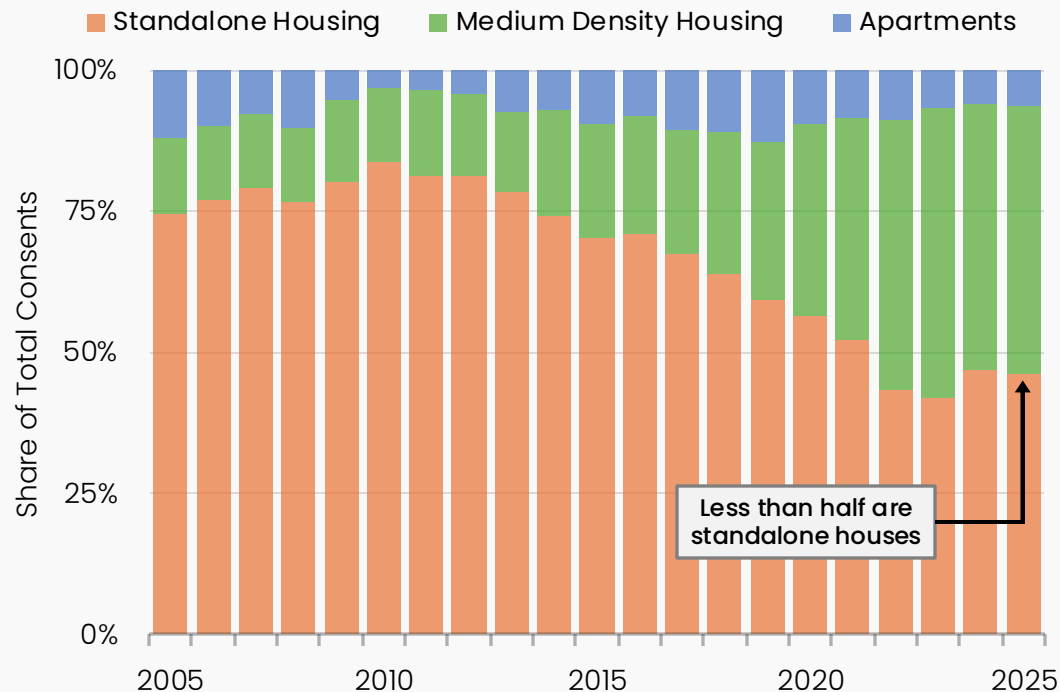
Source: Stats NZ

The decrease in average overall consent values is driven by three things:

- The mix of overall consents has shifted strongly toward alterations – which are inherently lower values.
- **New Residential Dwelling average values fell approximately 3%** from mid-2022 to early 2023 but have since levelled off.
- **Alterations average values have fallen approximately 11%** since June 2023.

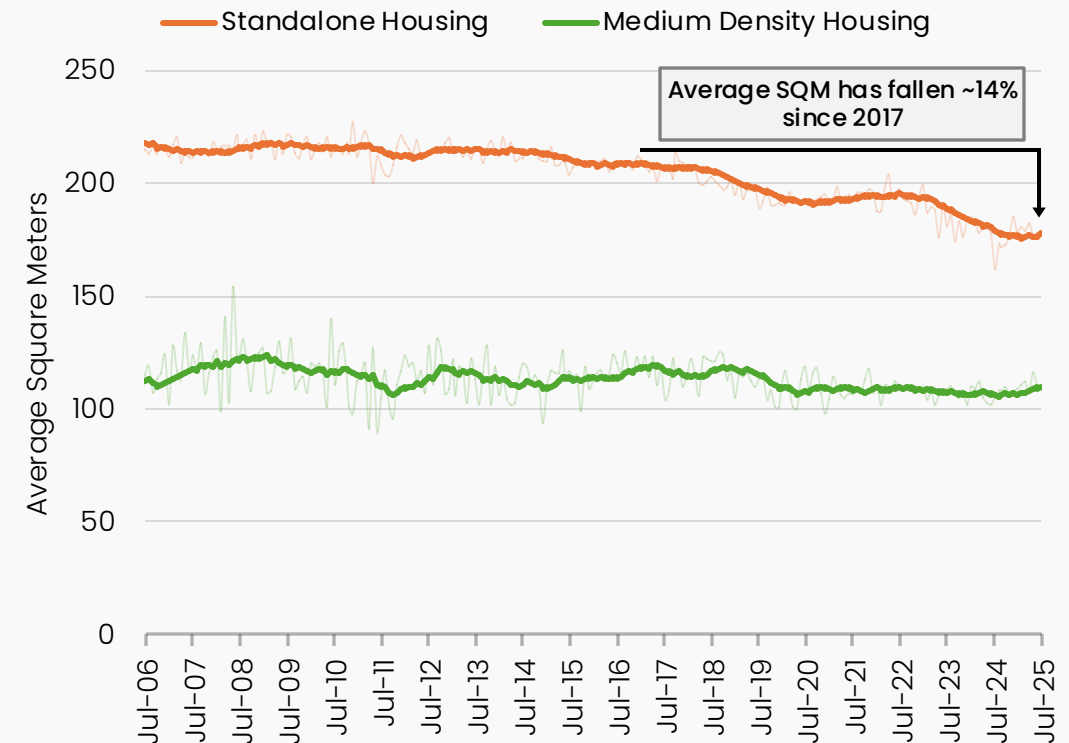
New dwelling consent values have fallen 13% since 2017 as smaller homes and **fewer standalone houses** dominate activity.

Density Mix of New Dwelling Consents - Annual



Source: Stats NZ

Average Size (SQM) of New Dwelling Consents

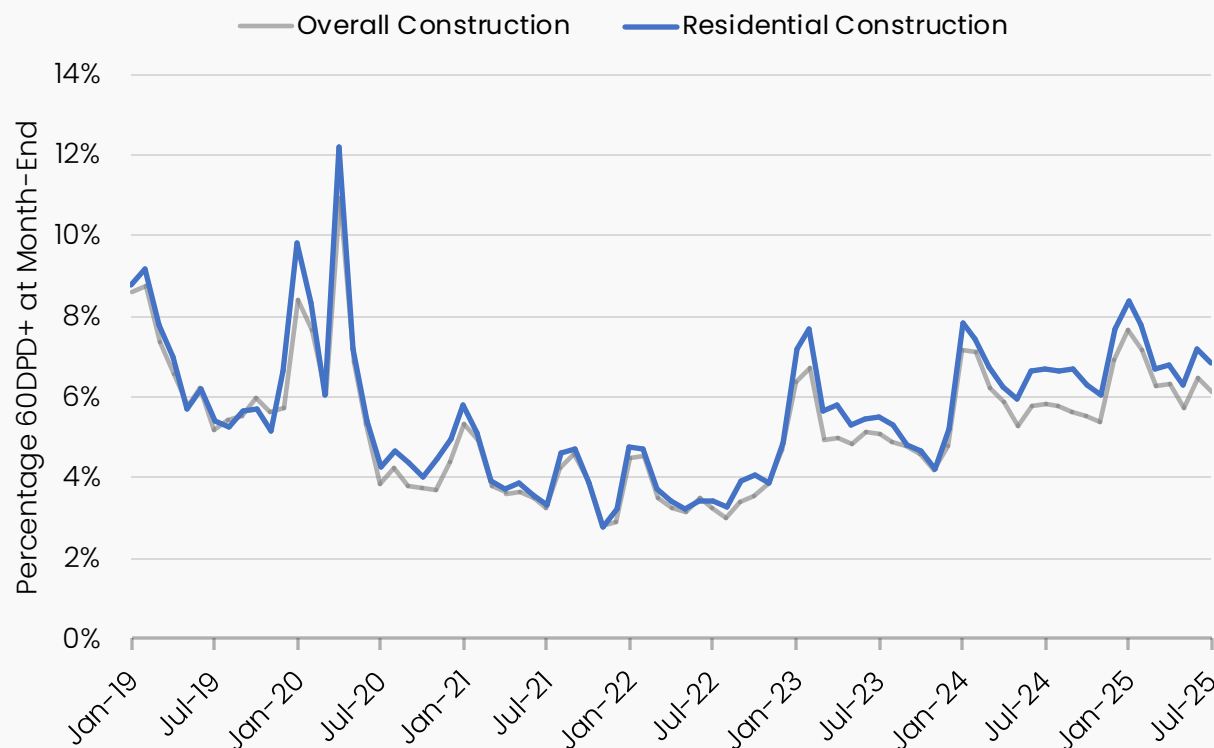


Source: Stats NZ



Residential Construction 60DPD+ arrears have risen steadily, broadly tracking the wider sector, with the pace of deterioration now slowing.

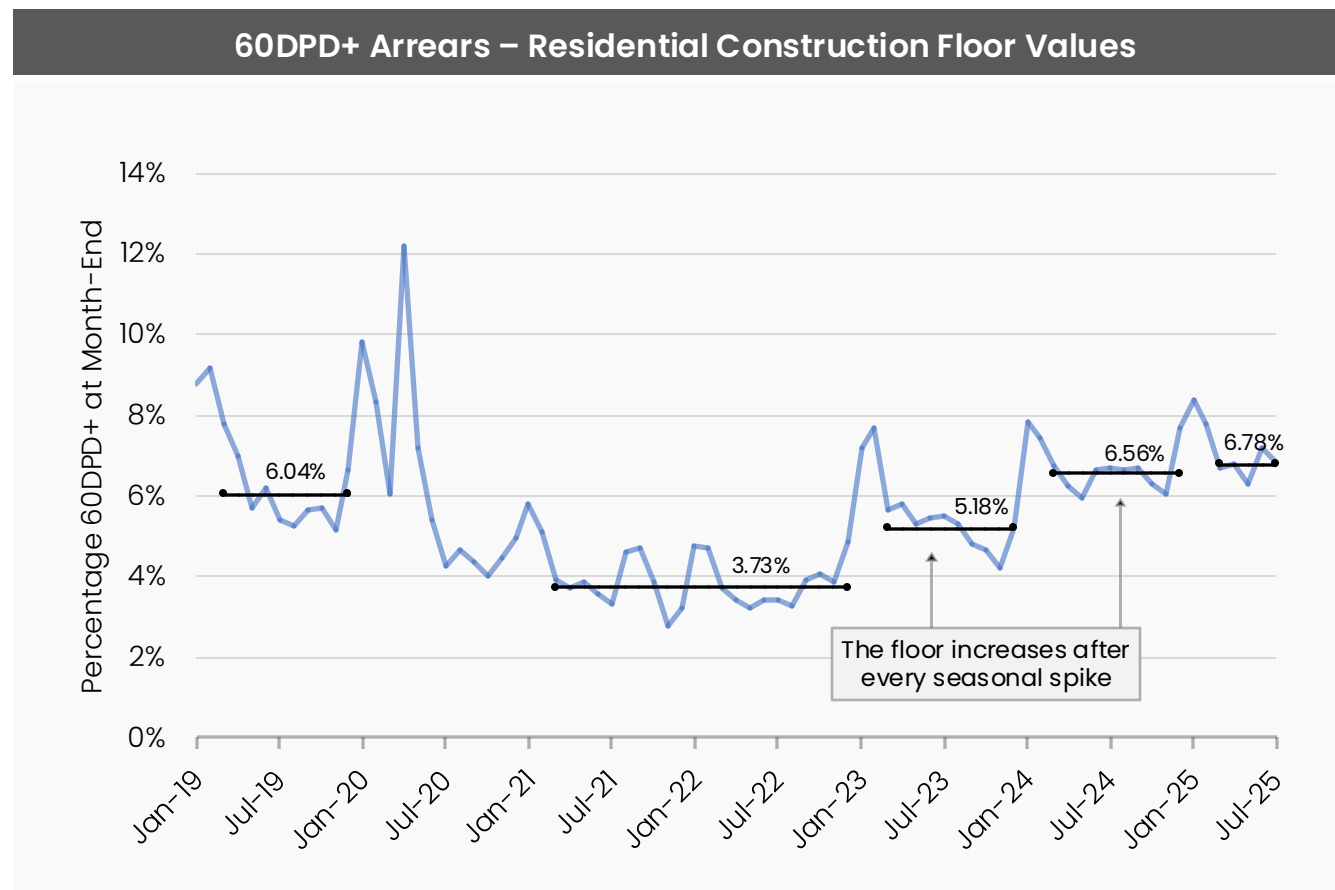
60DPD+ Arrears – Residential Construction vs. Overall Sector



Source: CreditWorks

- Current 60DPD+ arrears are around 360bps above the early-2022 cyclical low.
- The pace of deterioration appears to be flattening. As of July 2025, arrears are 18bps higher than the same time last year.
- **Residential Construction debtor arrears** broadly follow the wider sector but have averaged about 60bps higher since the start of 2025.

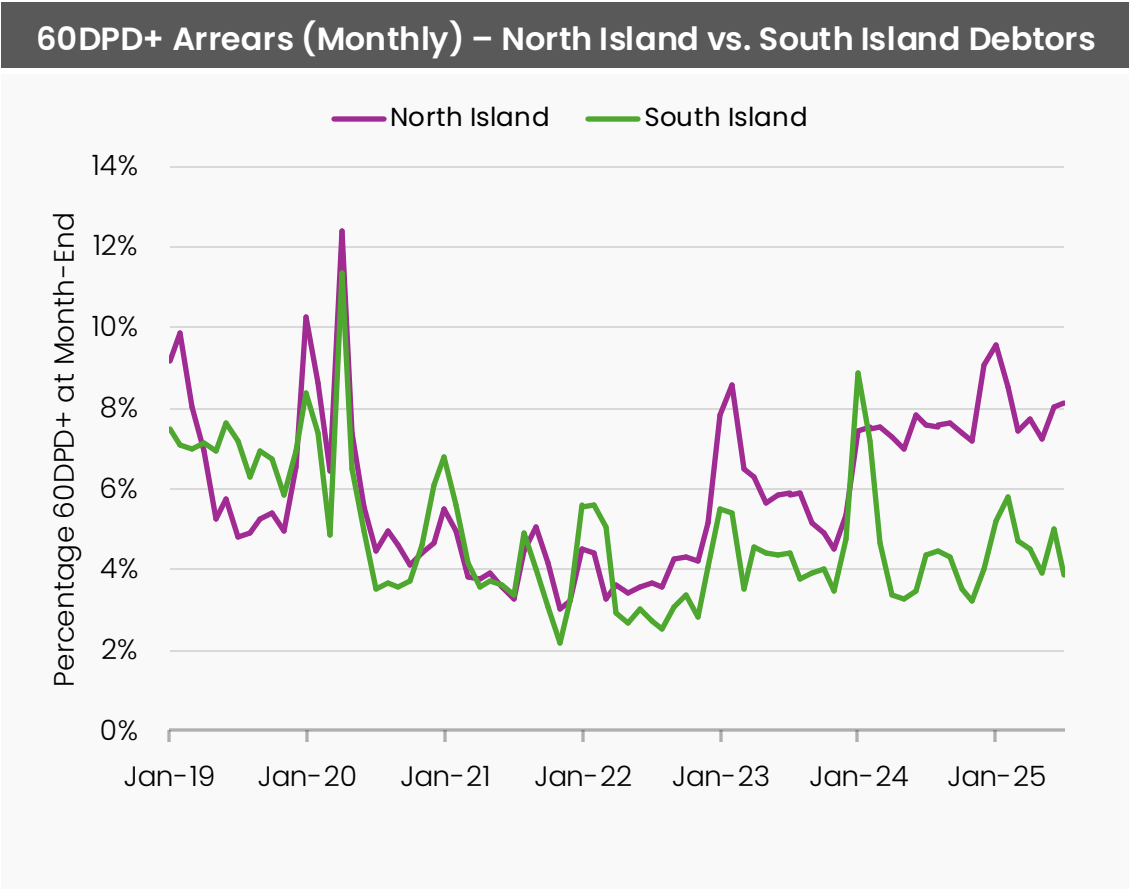
Seasonal arrears spikes remain typical, but the year-on-year rise in the floor has slowed from 2024 to 2025, suggesting the cycle may be nearing its peak.



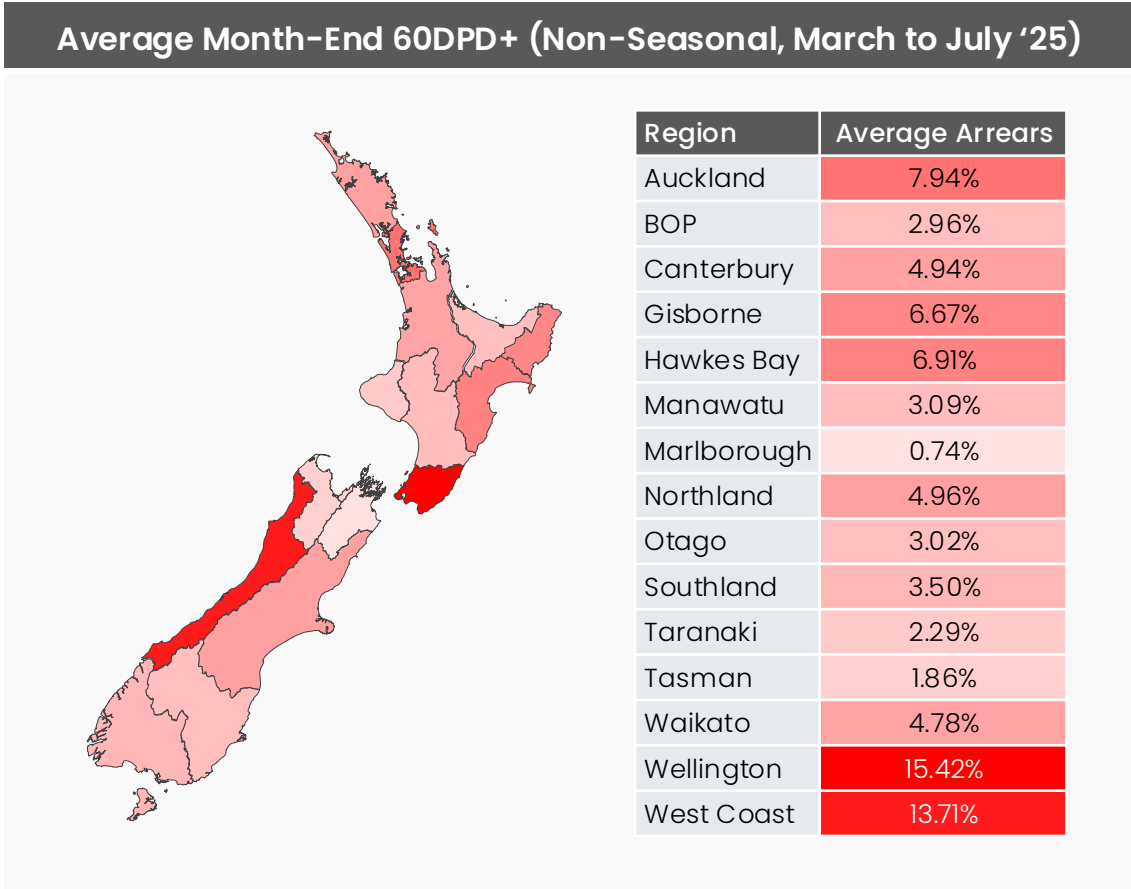
Source: CreditWorks

- Seasonal spikes in arrears is typical through every January and February.
- For the past three years, the 'floor arrears level' (average of March through December) has risen year-on-year. Meaning arrears are not normalising all the way after each seasonal spike.
- The floor level increase has markedly slowed from 2024 to 2025 – suggesting that we are closing in on the top of the current cycle.
- The current floor (6.78% for non-seasonal levels 2025) is approximately 75bps higher than the pre-pandemic peak.

60DPD+ Arrears for **North Island Debtors** are currently twice the level of **South Island Debtors**, driven by weakness in Wellington and Auckland.



Source: CreditWorks

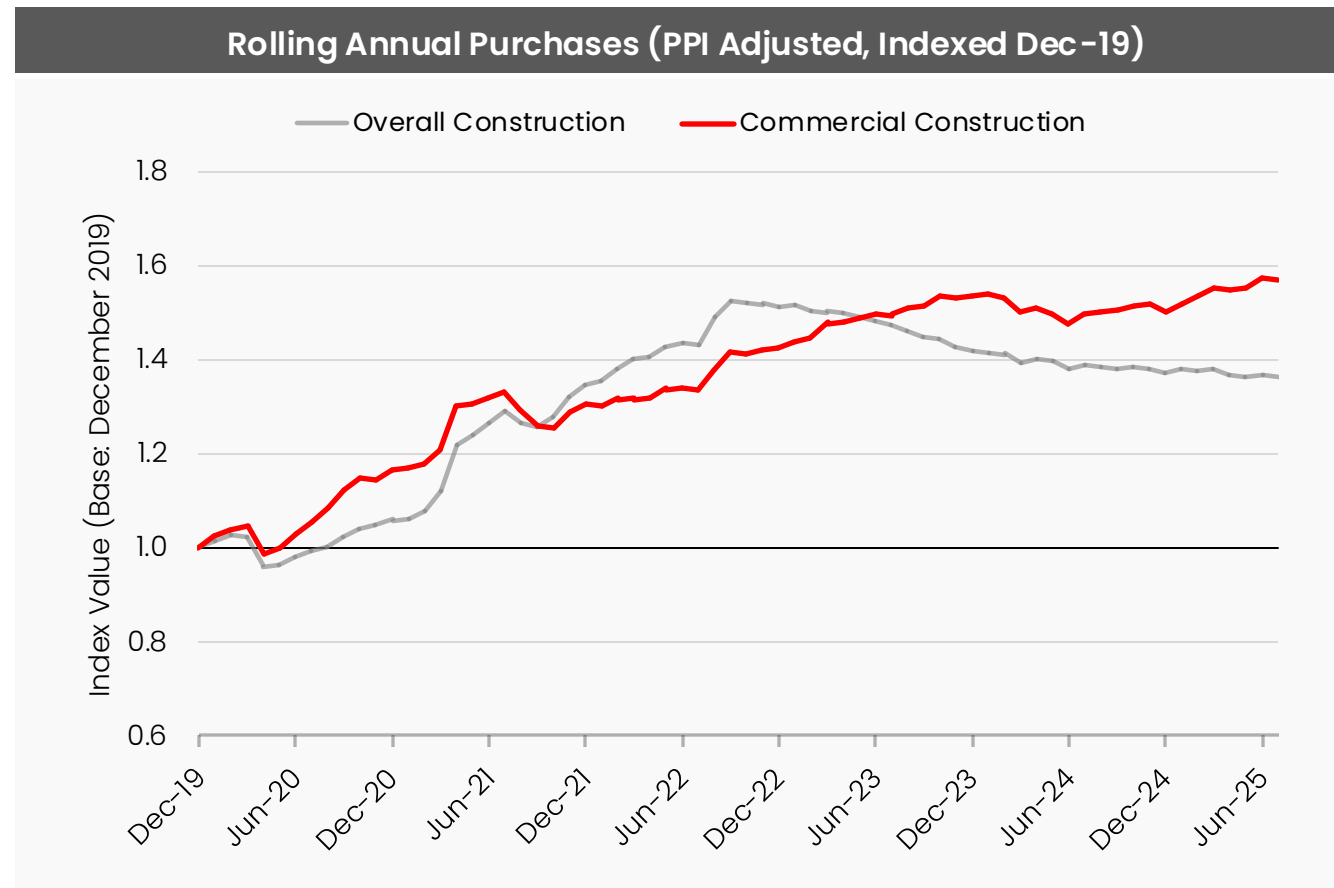


Source: CreditWorks

Commercial Construction Sector Insights

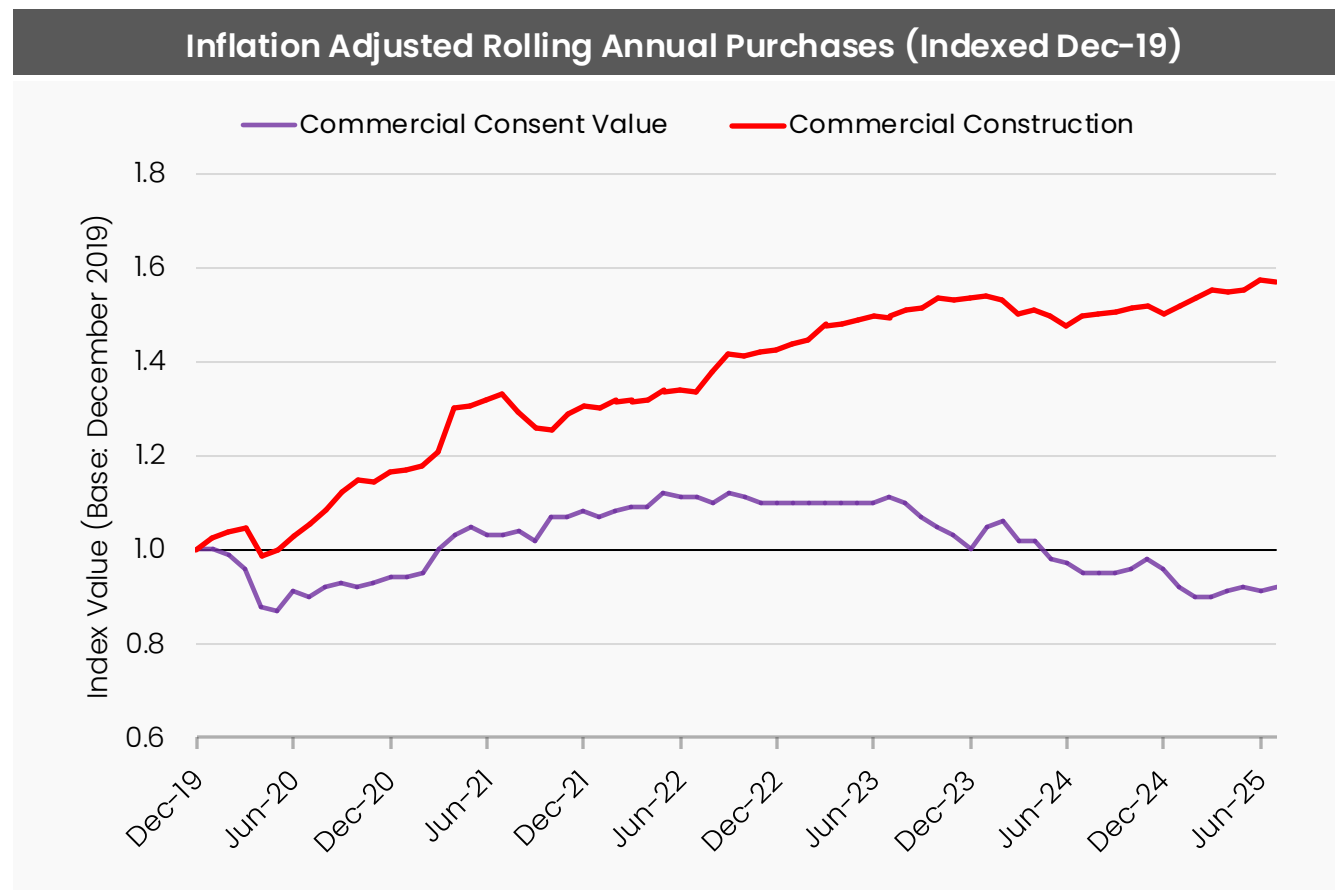


Inflation-adjusted **rolling annual purchases in Commercial Construction** continue to grow steadily, outpacing the wider construction sector.



- **Commercial Construction purchases** have grown 4.8% on a rolling annual, inflation-adjusted basis since July last year.
- This compares with a 2.2% contraction in rolling annual sales (inflation adjusted) for the **overall construction sector** over the same period.

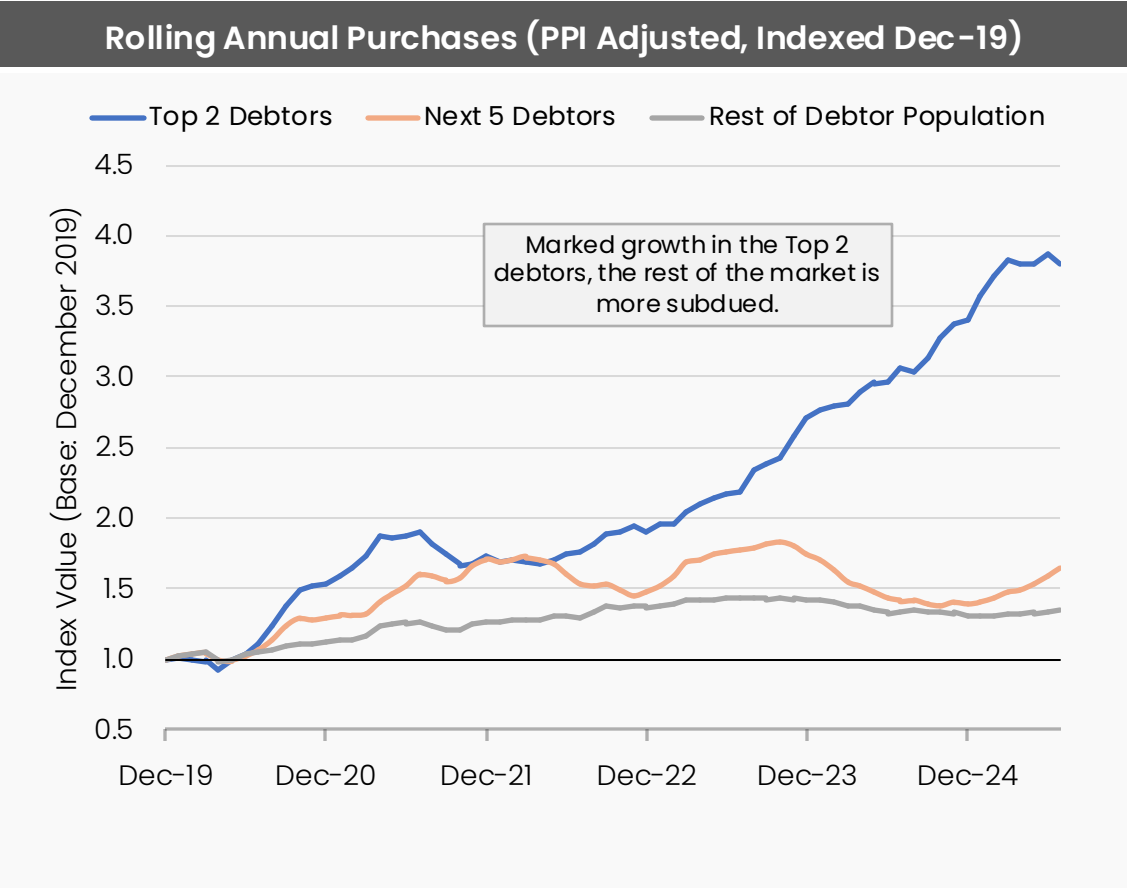
Growth in **Commercial Construction purchases** has occurred despite weakness in **commercial building consents** on an inflation-adjusted value basis.



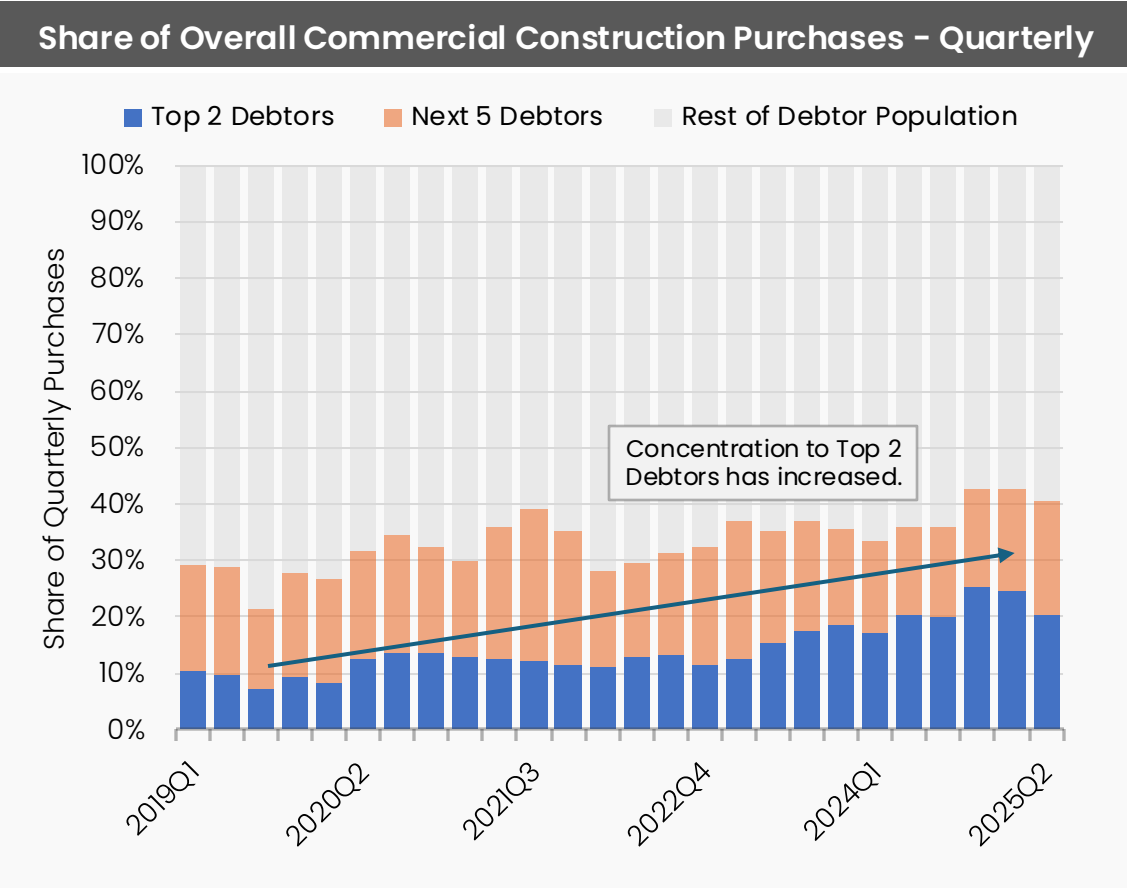
Source: CreditWorks; Stats NZ

- **Commercial building consent values** have declined 17.1% from their peak two years ago (July 2023) on a rolling annual, inflation-adjusted basis.
- Consents vary widely in type, value, and lead times, so they correlate less closely with rolling annual purchases than residential construction.
- Even so, the contrast between weak consents and strong purchases provides an interesting perspective on sector conditions.

Growth in annual purchases is concentrated in **the two largest debtors**, while the rest of the market shows modest gains in line with weaker consent values.



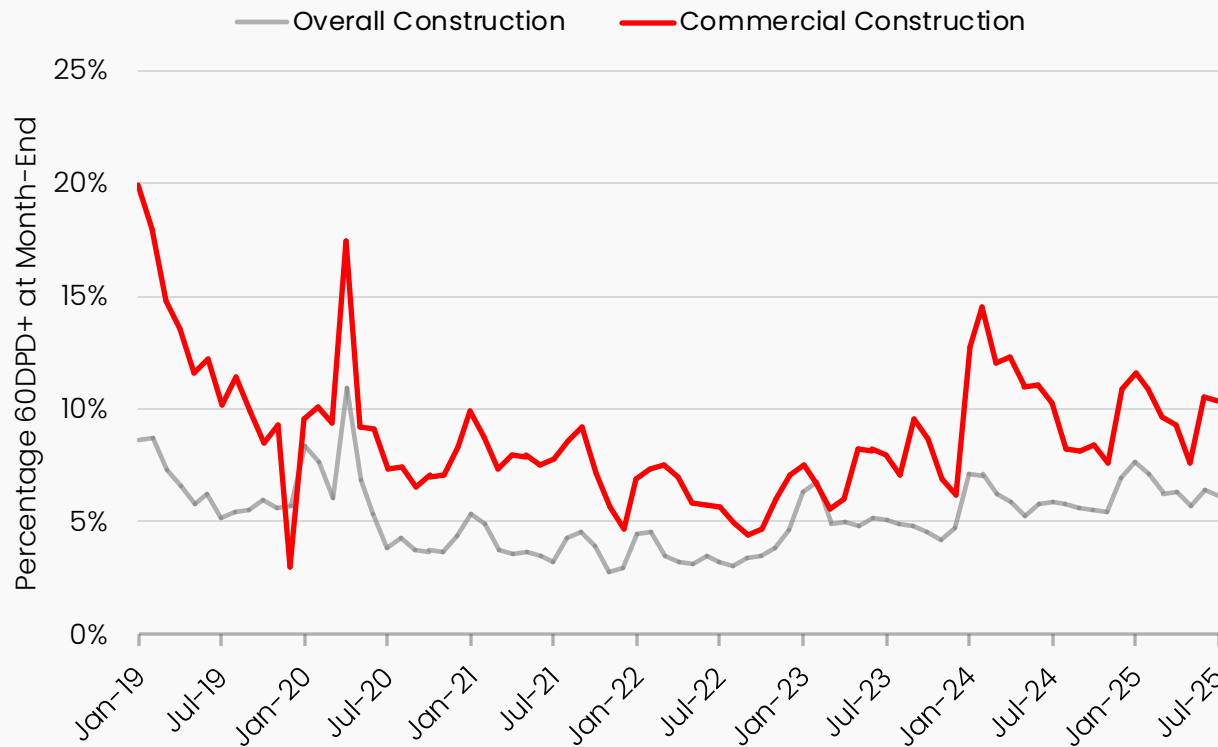
Source: CreditWorks



Source: CreditWorks

Commercial Construction 60DPD+ arrears continue to track above levels seen across the wider Construction Sector.

60DPD+ Arrears – Commercial Construction vs. Overall Sector



Source: CreditWorks

- **60DPD+ arrears for Commercial Construction debtors** are 14bps higher than a year ago and remain about twice the level of the September 2022 low point.
- The current deterioration appears to be flattening and is still below pre-COVID levels.
- Among the Top 2 debtors, arrears show similar trends but different dynamics than the wider population. For these debtors, arrears are less likely a cashflow constraint and more about exercising bargaining power over payment terms.

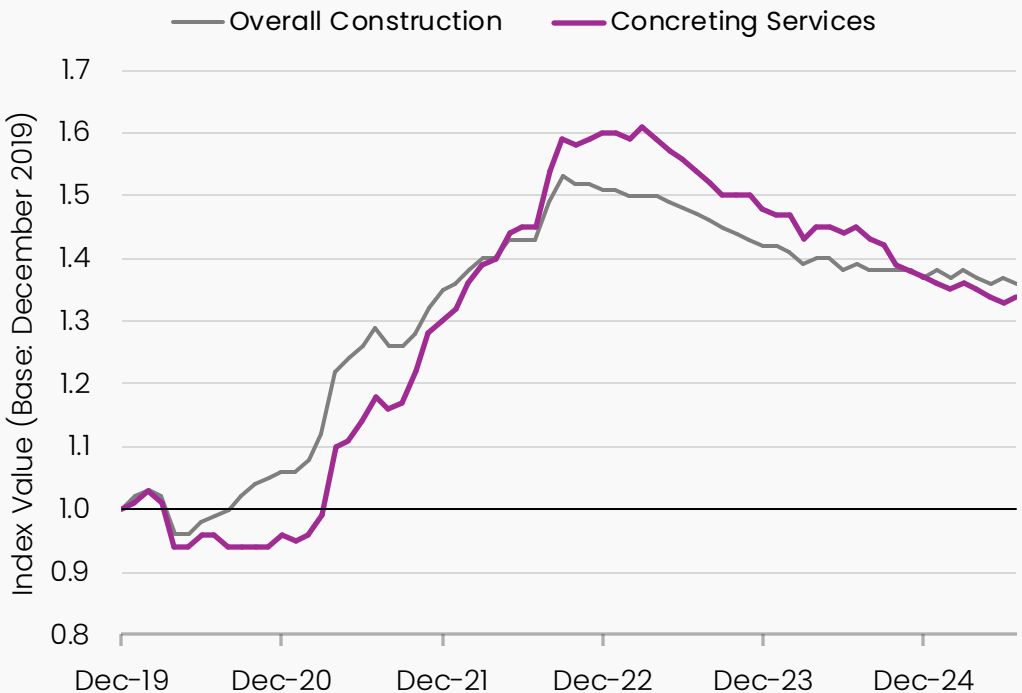
Appendix:

Subcontractor and Other Construction Services Insights



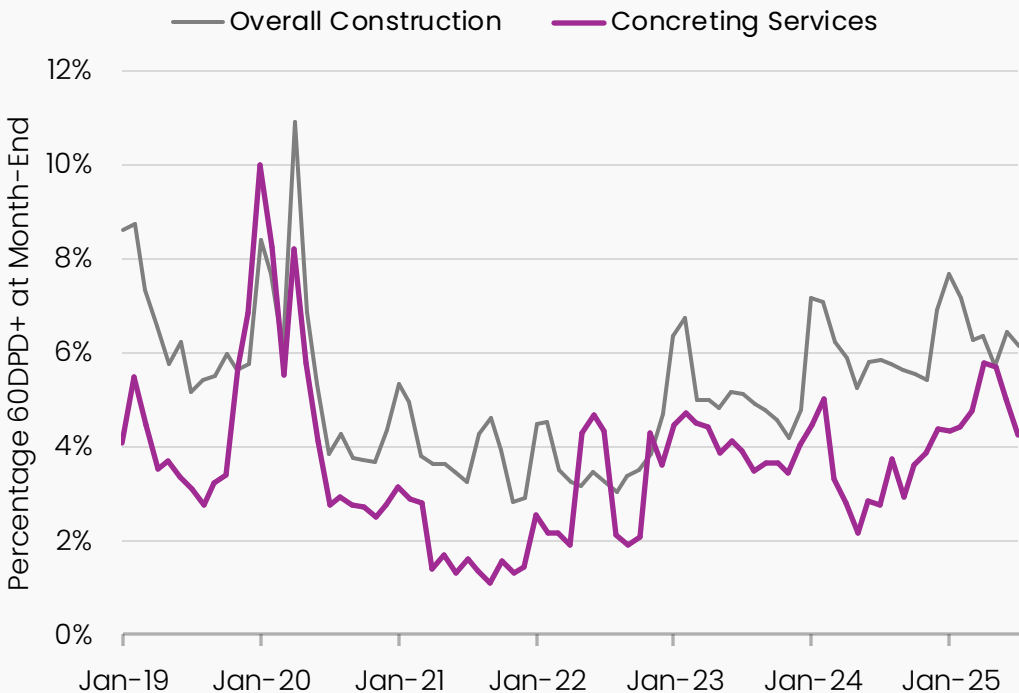
Concreting Services

Rolling Annual Purchases (PPI Adjusted, Indexed Dec-19)



Source: CreditWorks

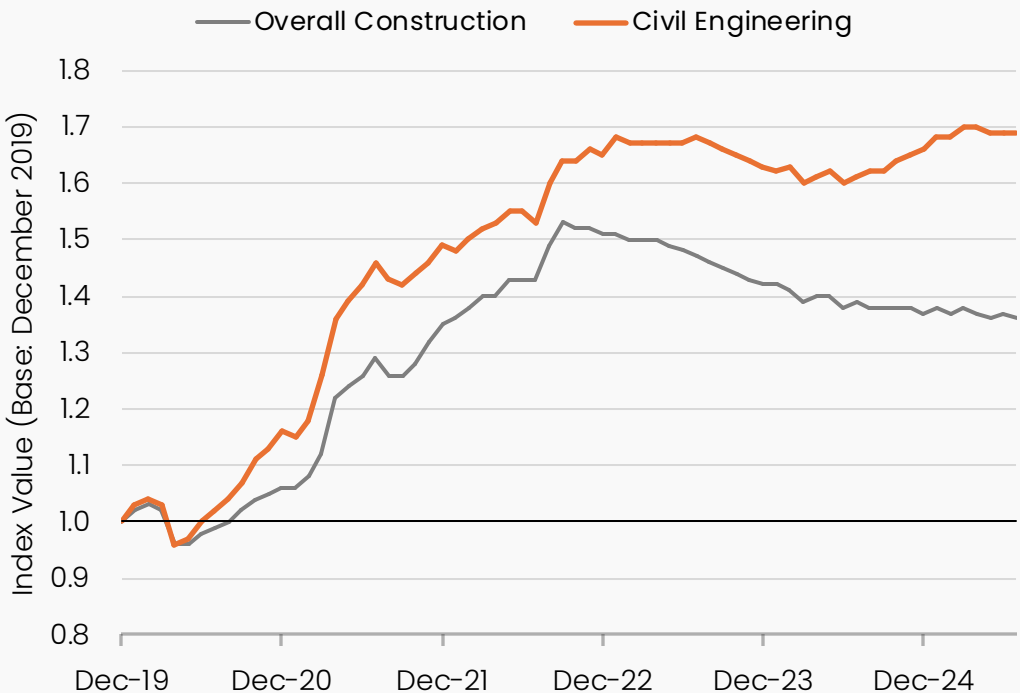
60DPD+ Arrears



Source: CreditWorks

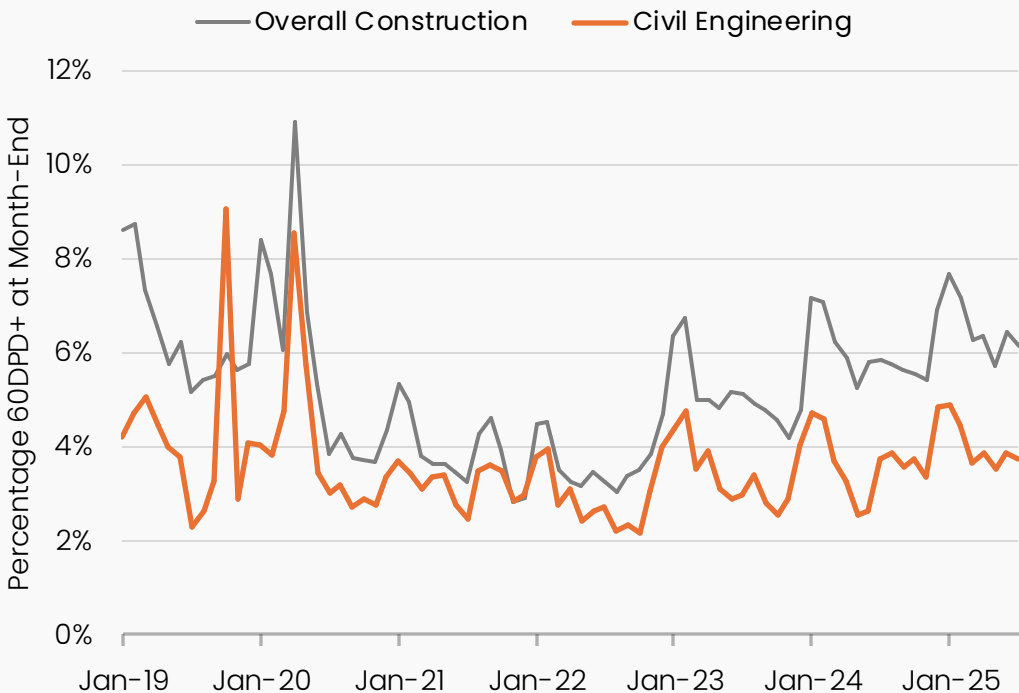
Civil Engineering

Rolling Annual Purchases (PPI Adjusted, Indexed Dec-19)



Source: CreditWorks

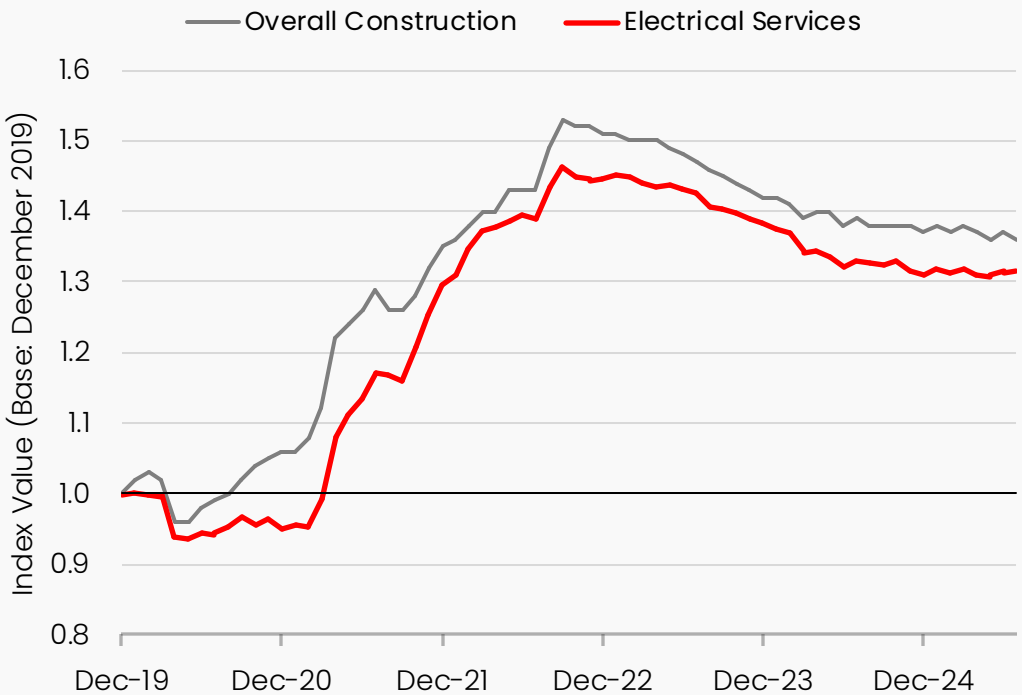
60DPD+ Arrears



Source: CreditWorks

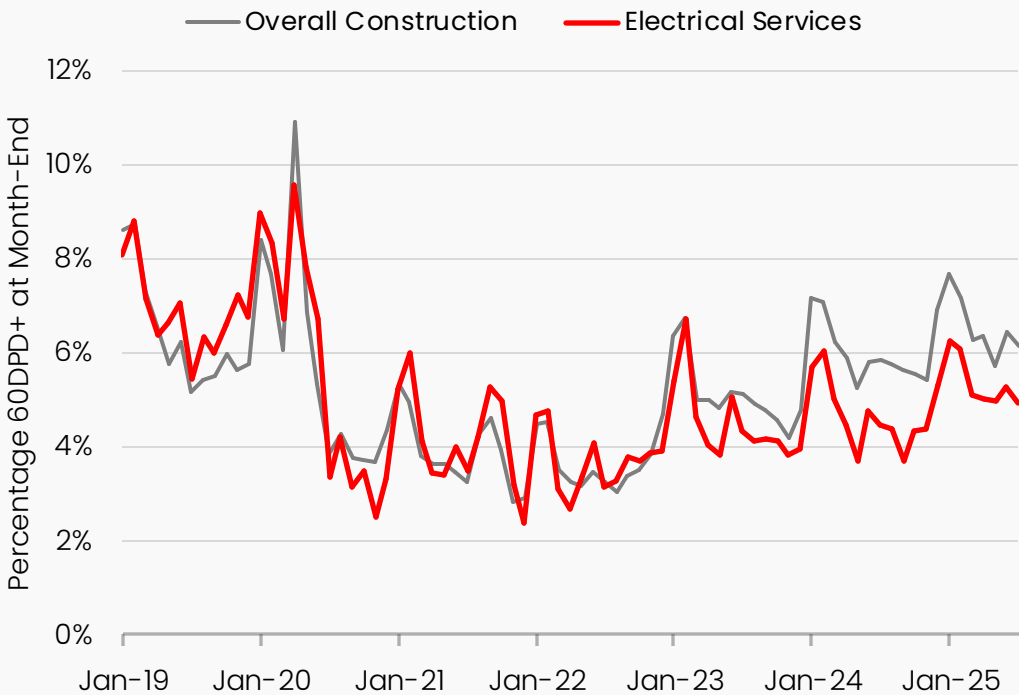
Electrical Services

Rolling Annual Purchases (PPI Adjusted, Indexed Dec-19)



Source: CreditWorks

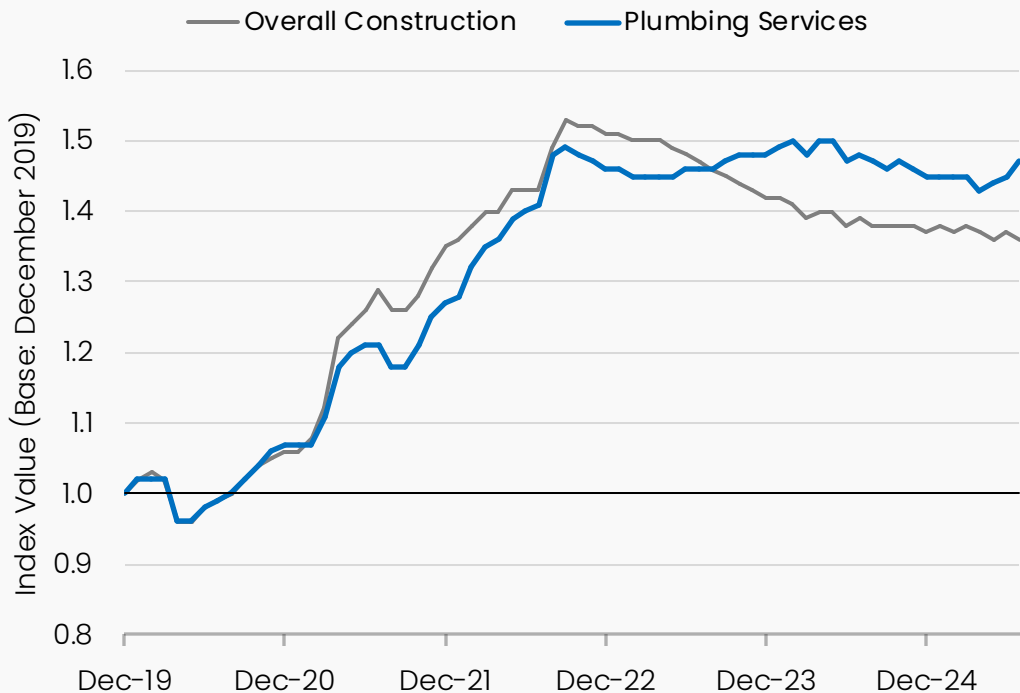
60DPD+ Arrears



Source: CreditWorks

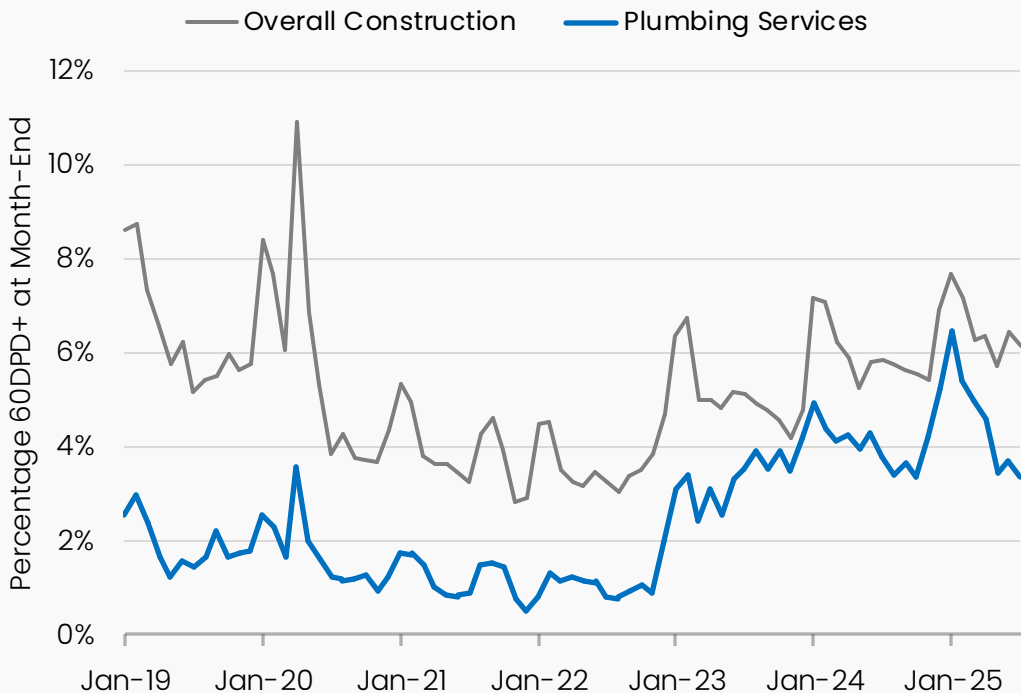
Plumbing Services

Rolling Annual Purchases (PPI Adjusted, Indexed Dec-19)



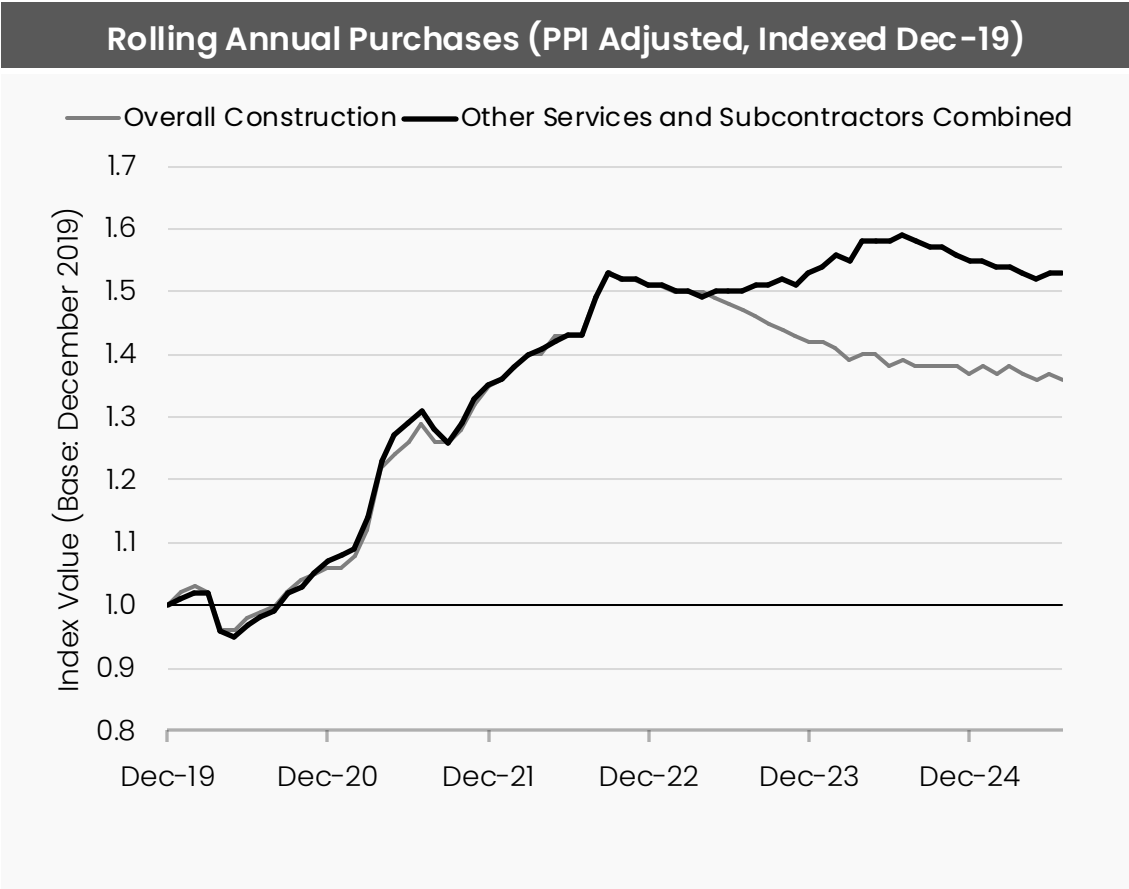
Source: CreditWorks

60DPD+ Arrears

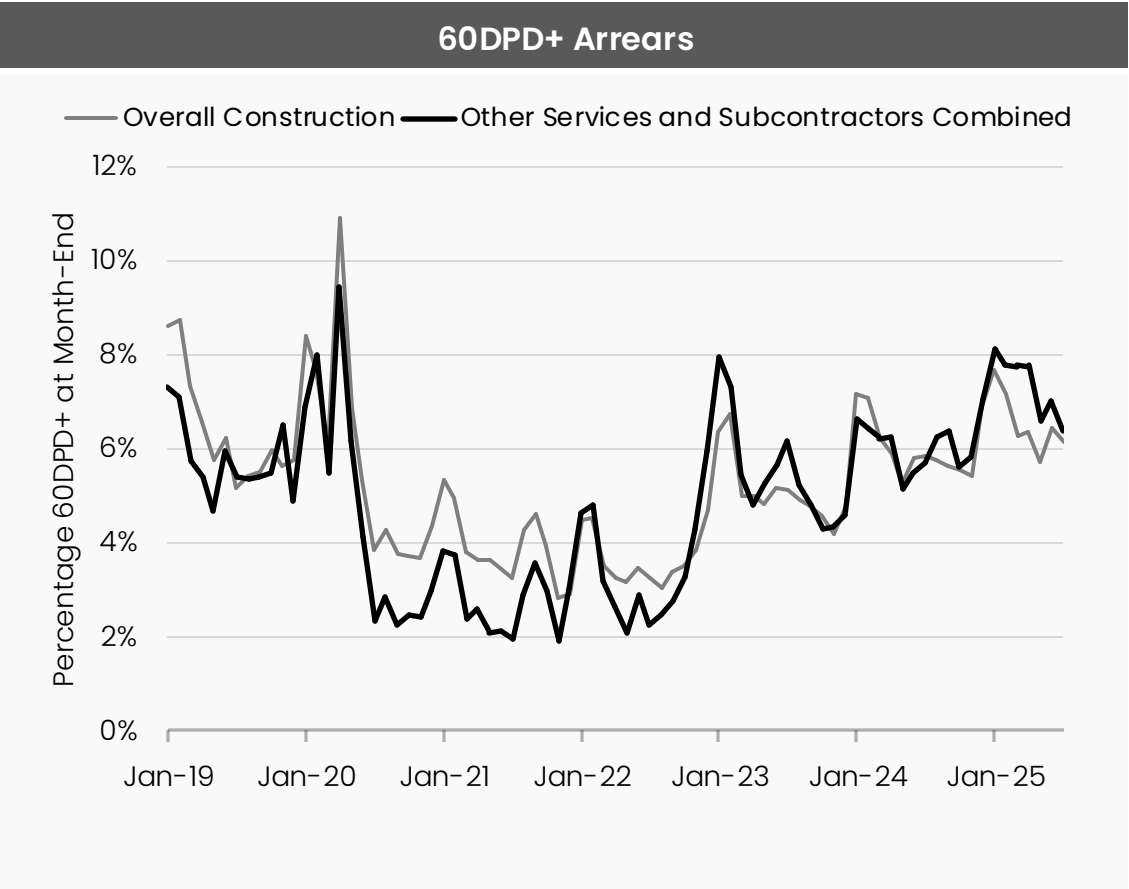


Source: CreditWorks

Other Services and Subcontractors Combined



Source: CreditWorks



Source: CreditWorks

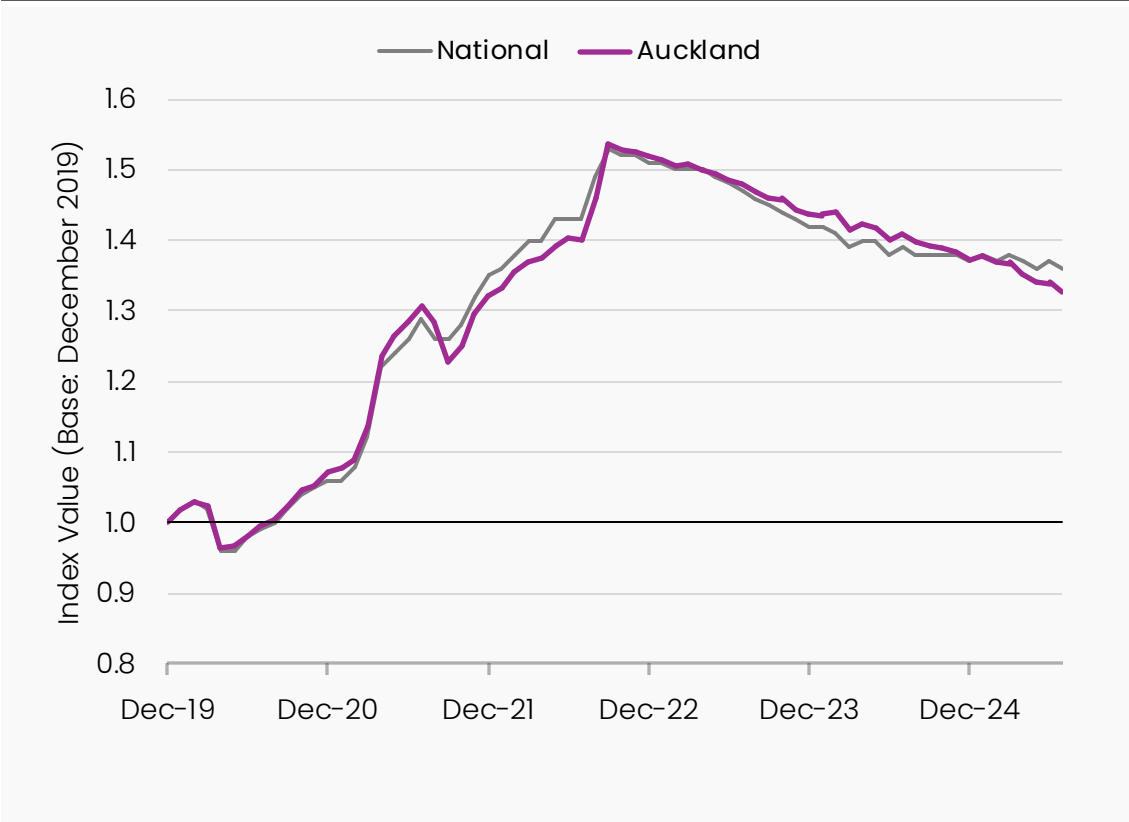
Appendix:

Key Region Insights (Overall Construction)



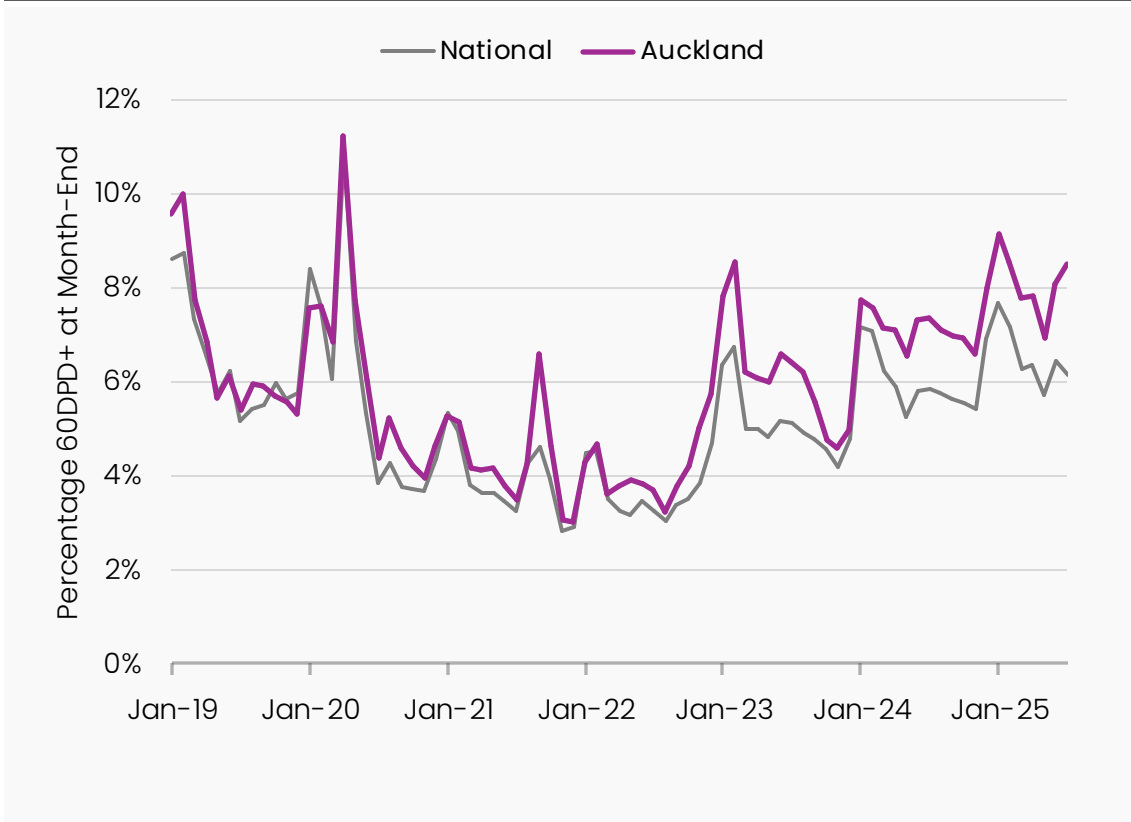
Auckland Debtors: Rolling Annual Sales & 60DPD+ Arrears

Rolling Annual Purchases (PPI Adjusted, Indexed Dec-19)



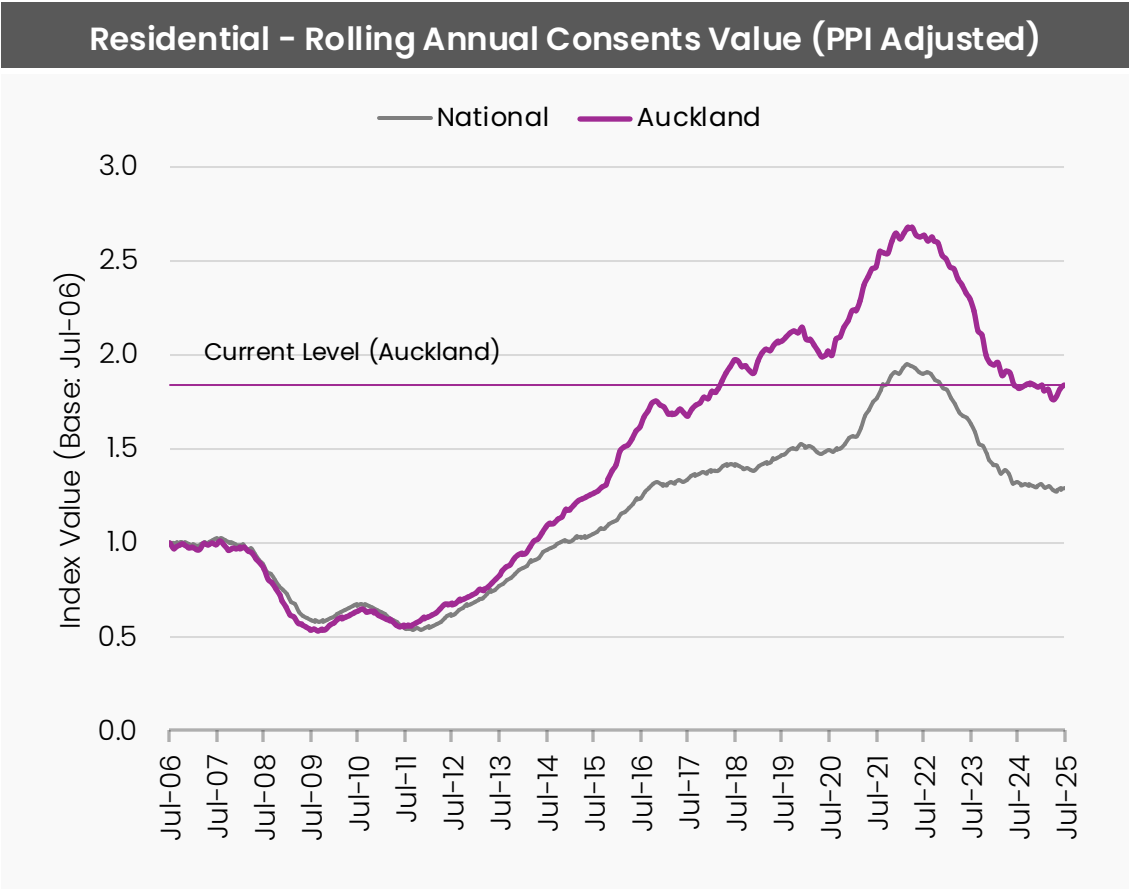
Source: CreditWorks

60DPD+ Arrears - Overall Construction

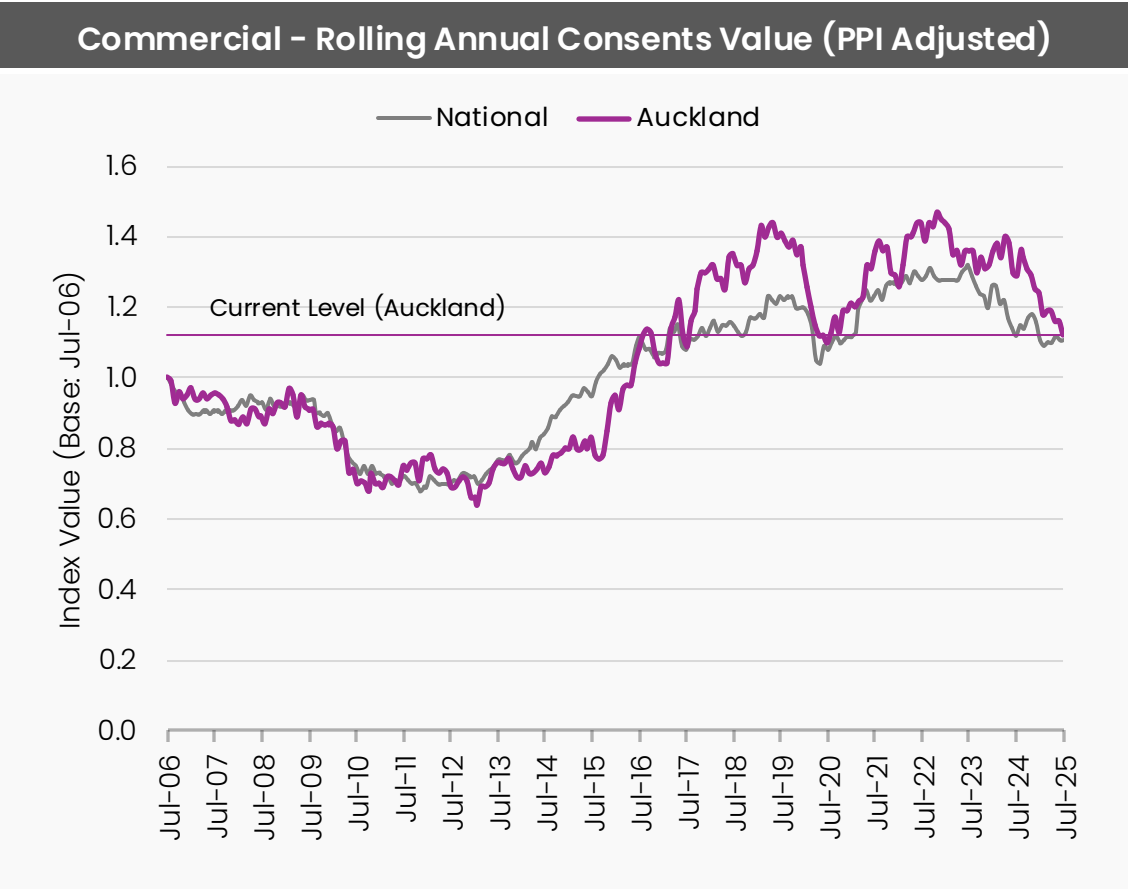


Source: CreditWorks

Auckland Debtors: Residential & Commercial Consents Value



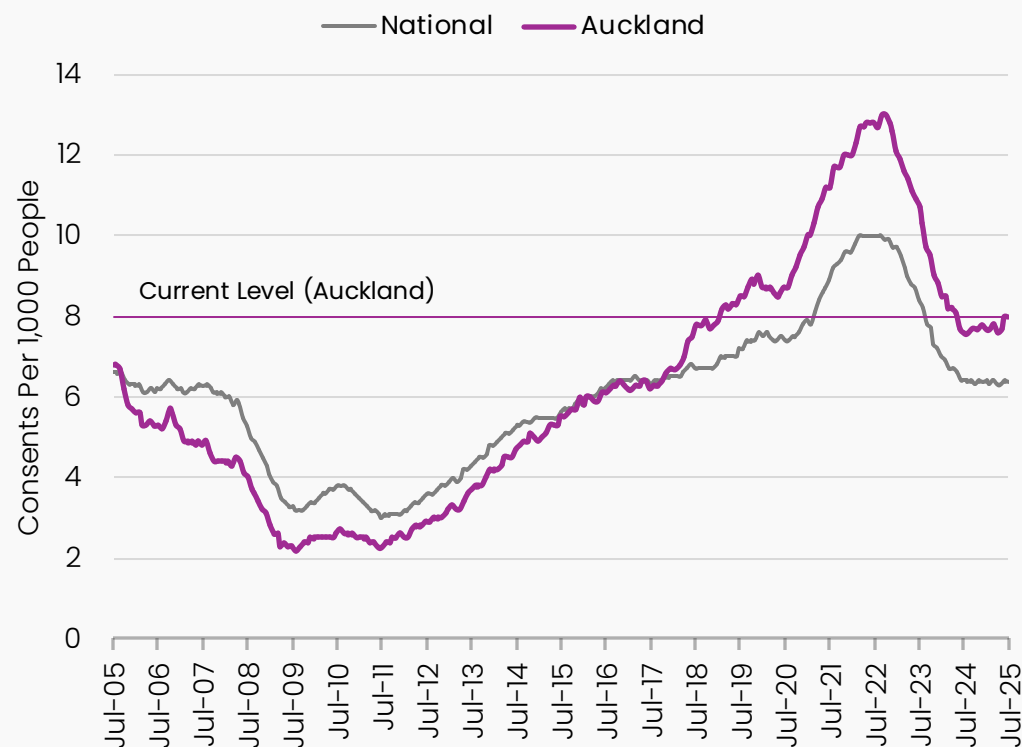
Source: Stats NZ



Source: Stats NZ

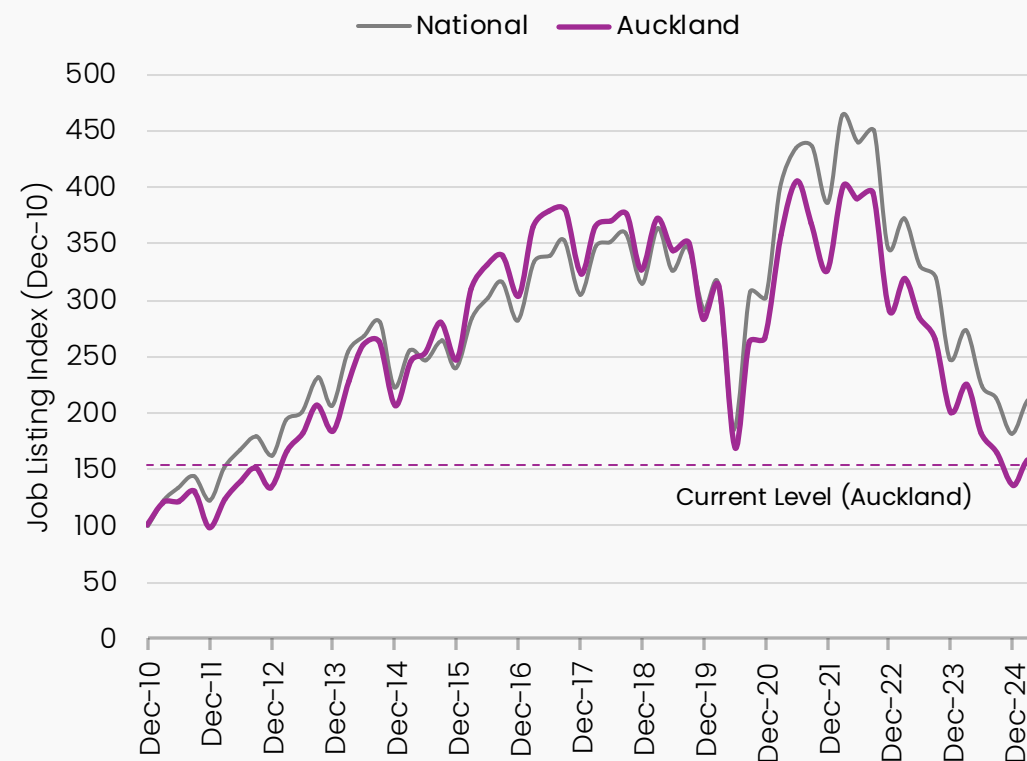
Auckland Debtors: New Dwelling Consents Per 1,000 People & Job Listings

Monthly New Residential Dwelling Consents Per 1,000 People



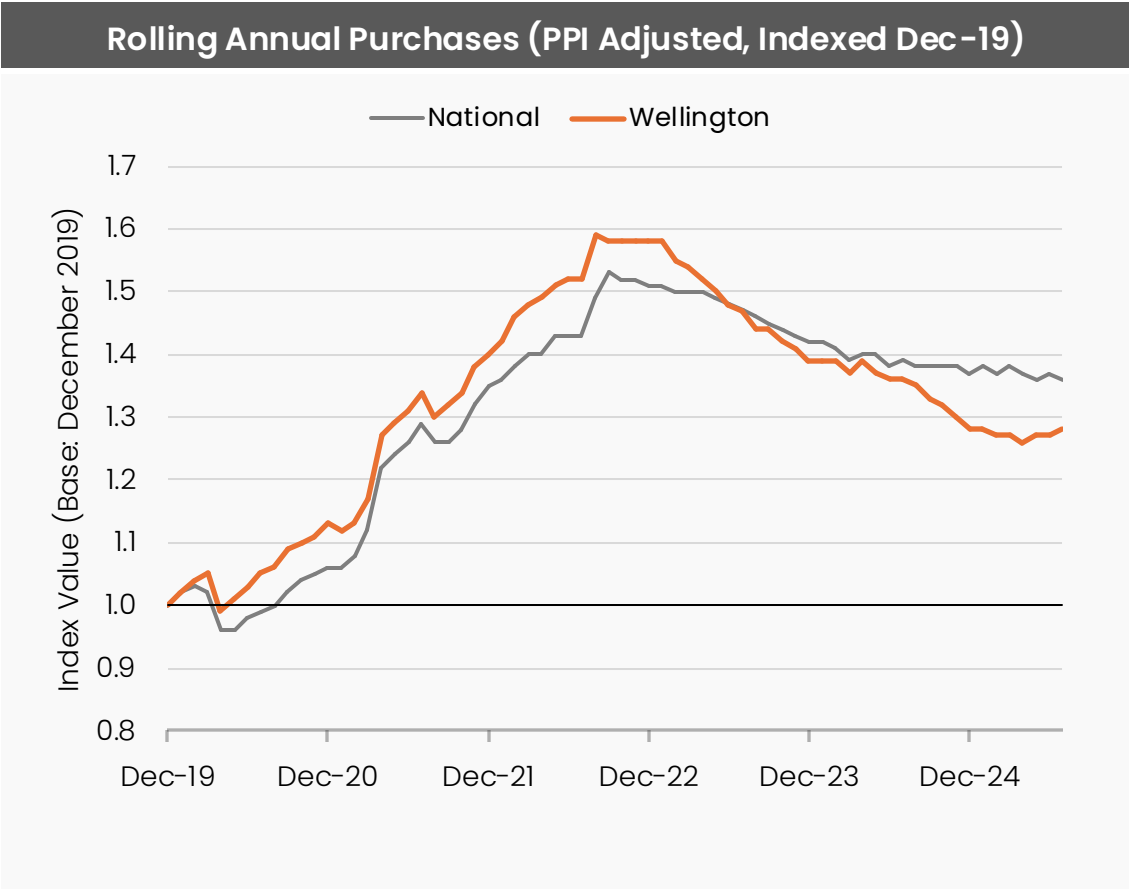
Source: Stats NZ

Construction Job Listings (Indexed Dec-10)

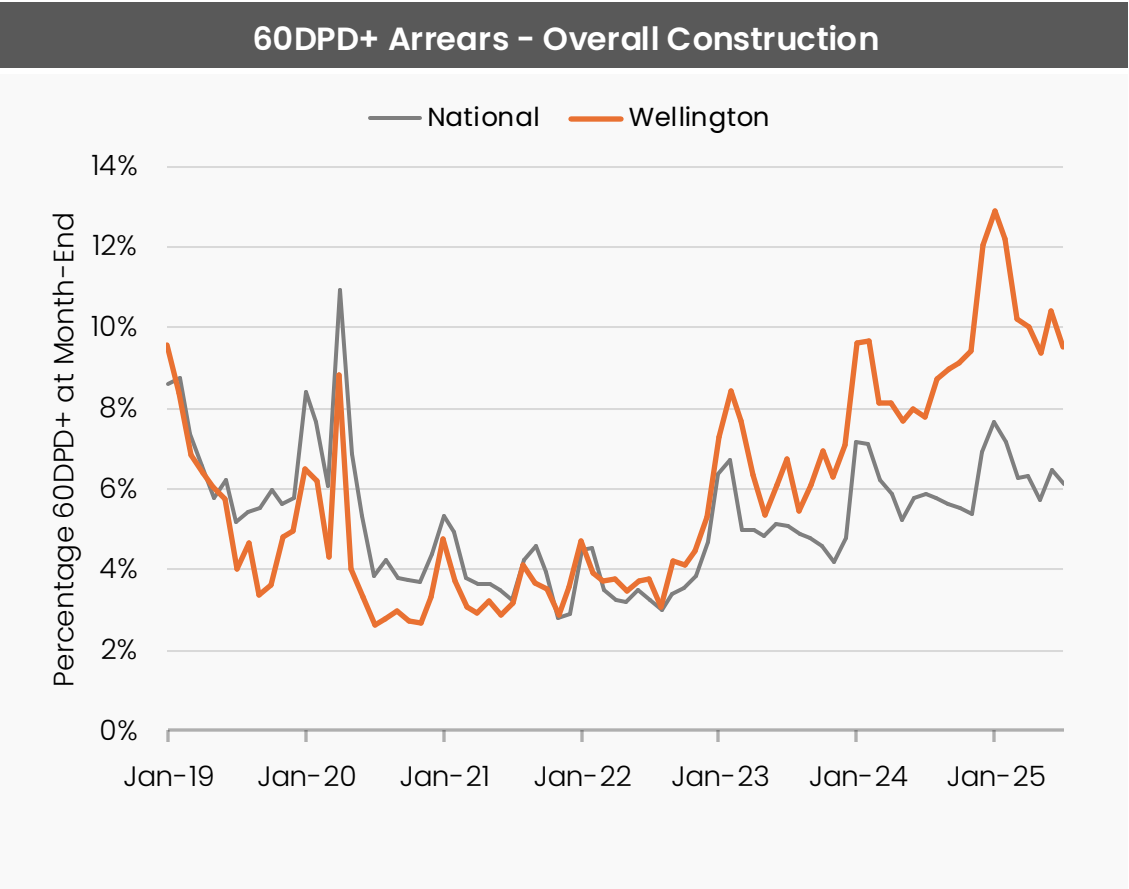


Source: Ministry of Business, Innovation, and Employment

Wellington Debtors: Rolling Annual Sales & 60DPD+ Arrears

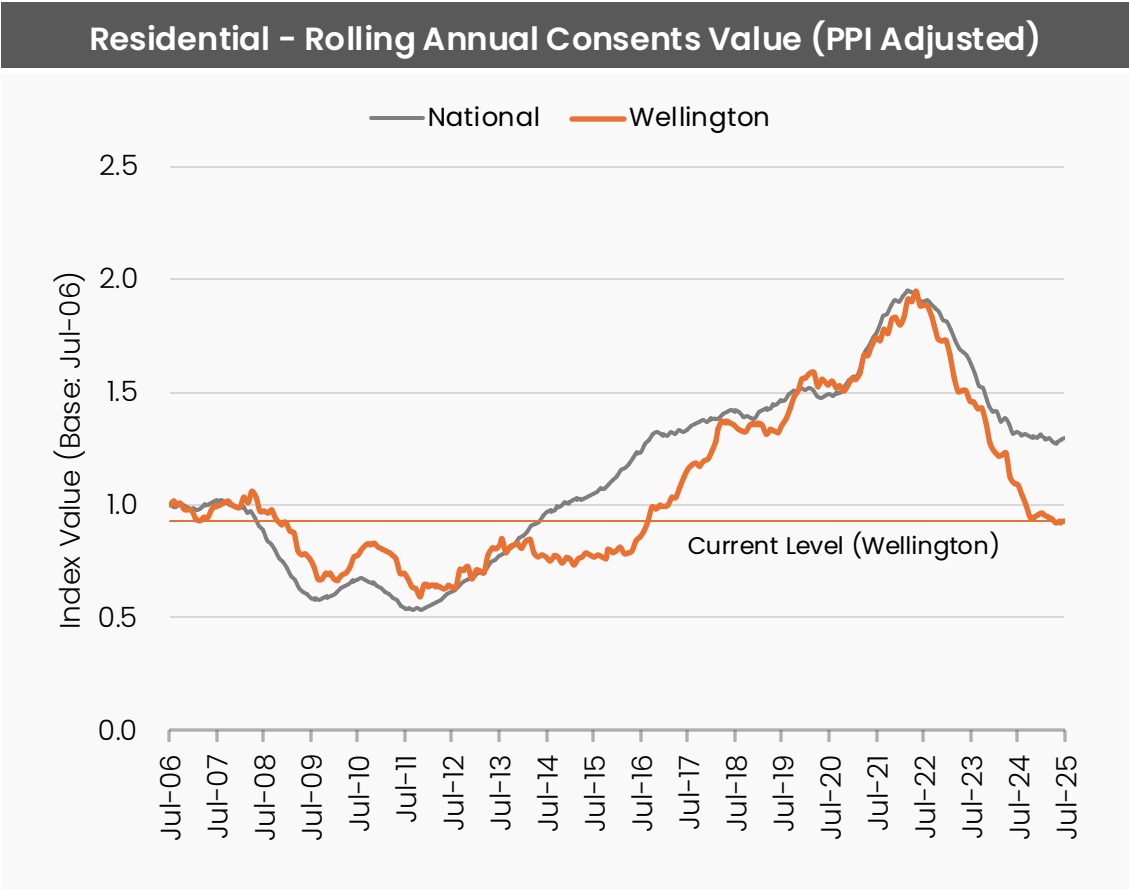


Source: CreditWorks

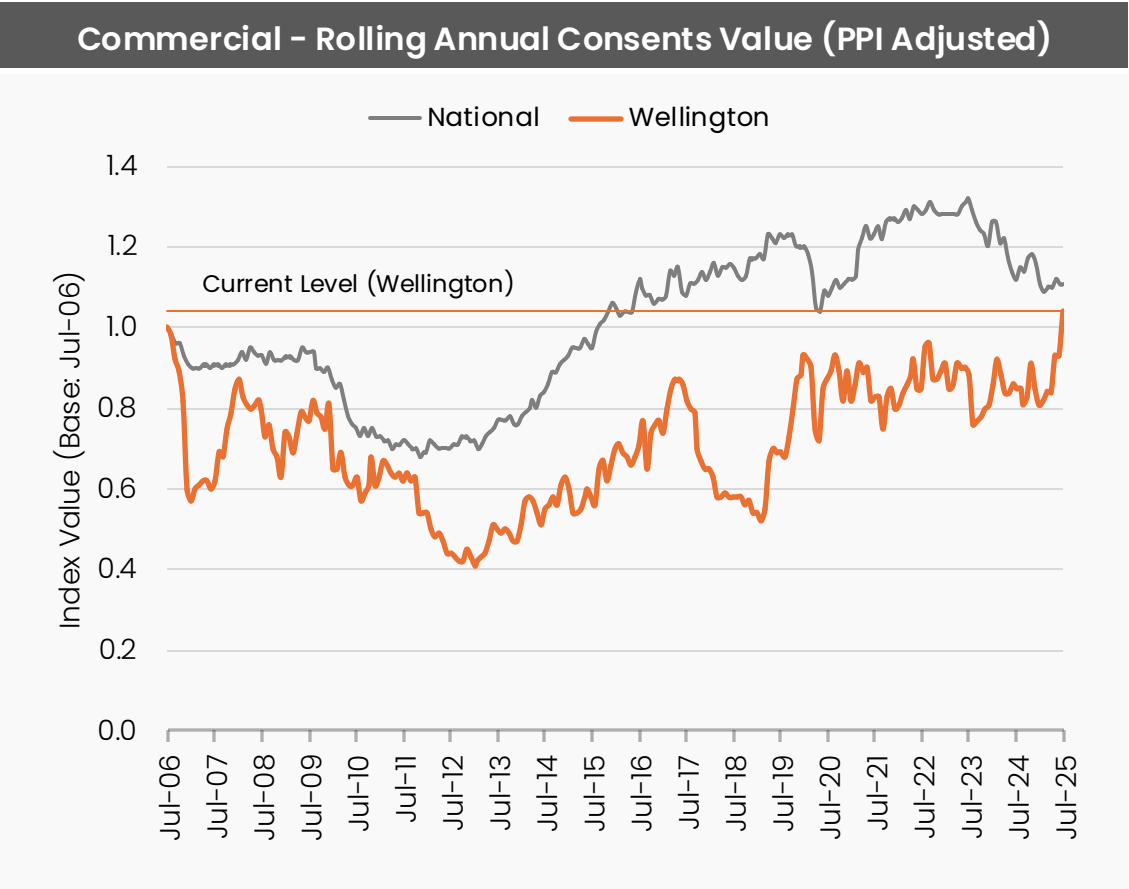


Source: CreditWorks

Wellington Debtors: Residential & Commercial Consents Value



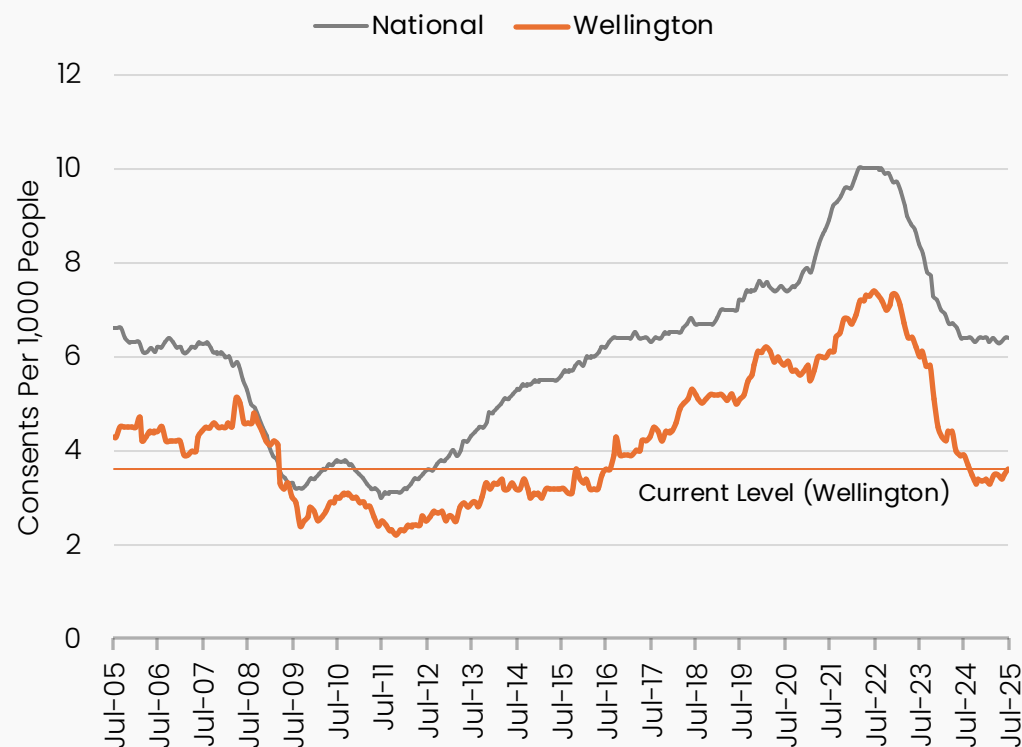
Source: Stats NZ



Source: Stats NZ

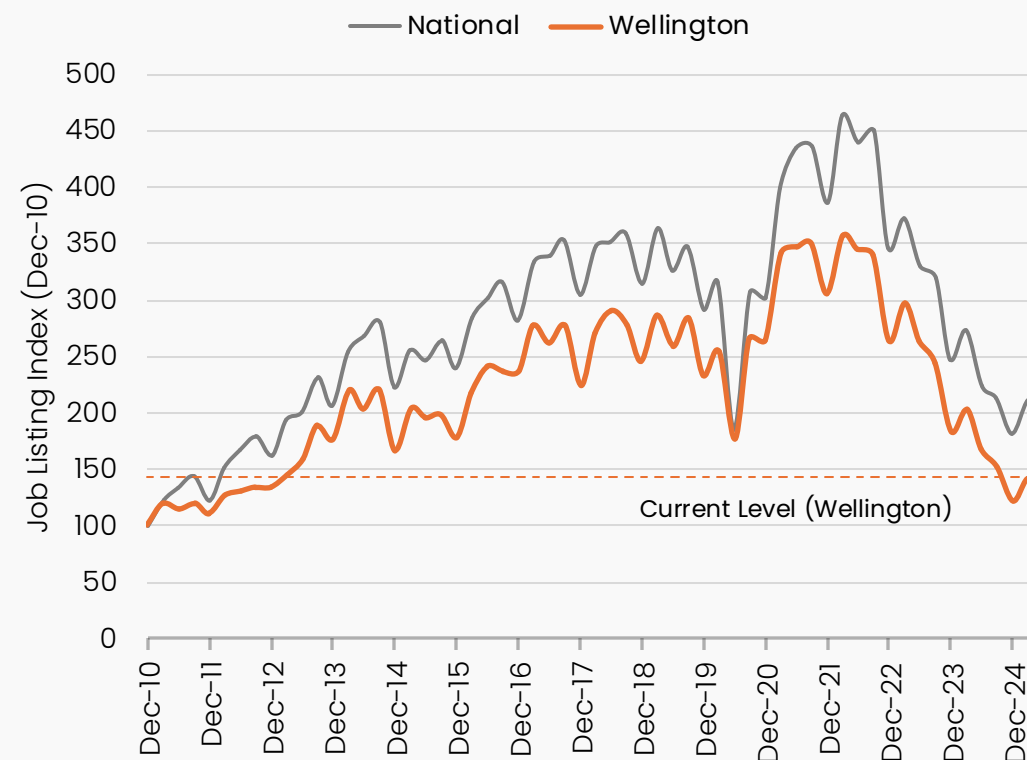
Wellington Debtors: New Dwelling Consents Per 1,000 People & Job Listings

Monthly New Residential Dwelling Consents Per 1,000 People



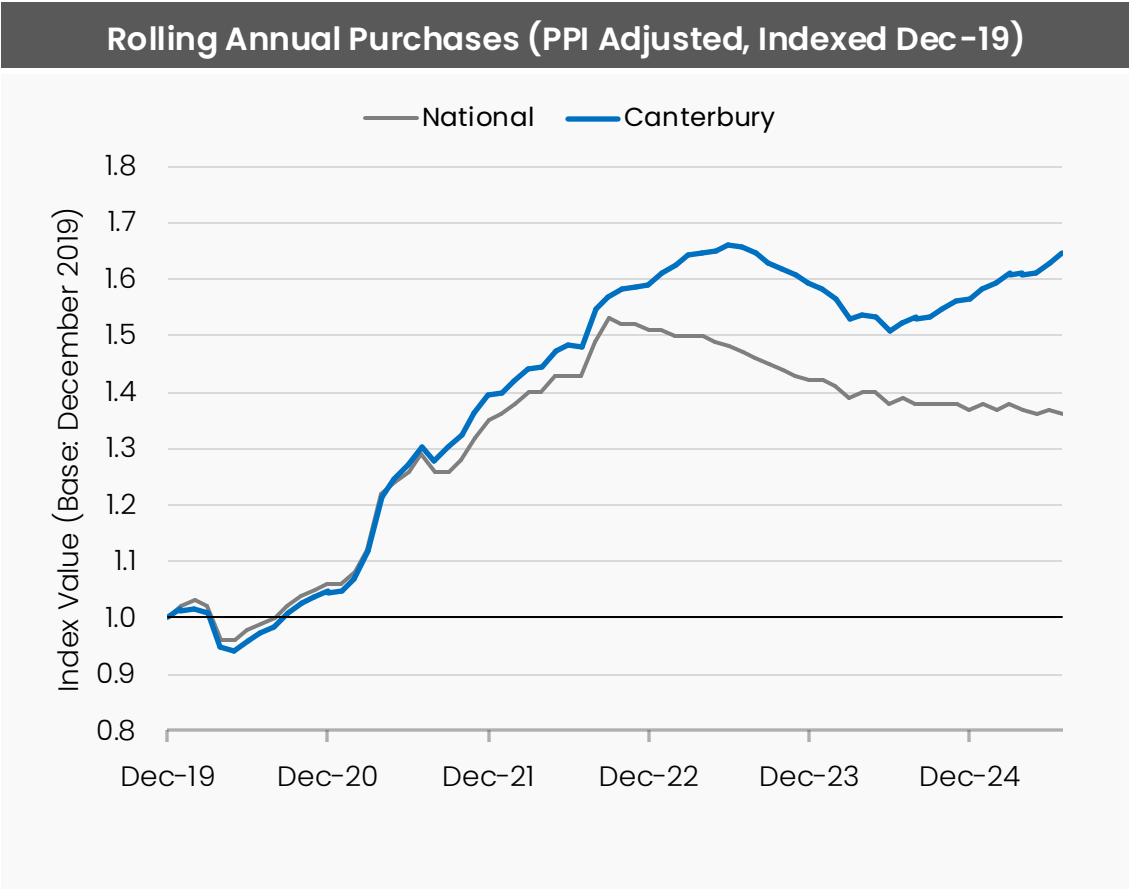
Source: Stats NZ

Construction Job Listings (Indexed Dec-10)

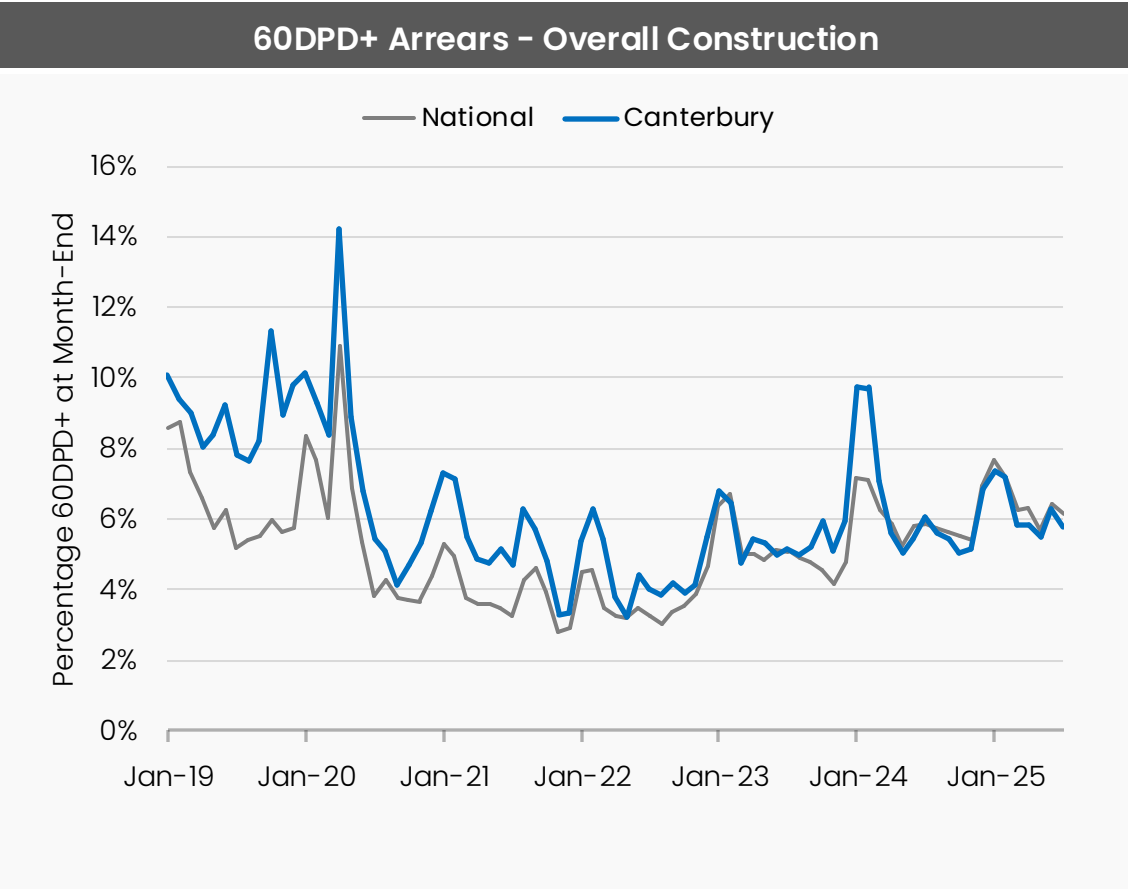


Source: Ministry of Business, Innovation, and Employment

Canterbury Debtors: Rolling Annual Sales & 60DPD+ Arrears

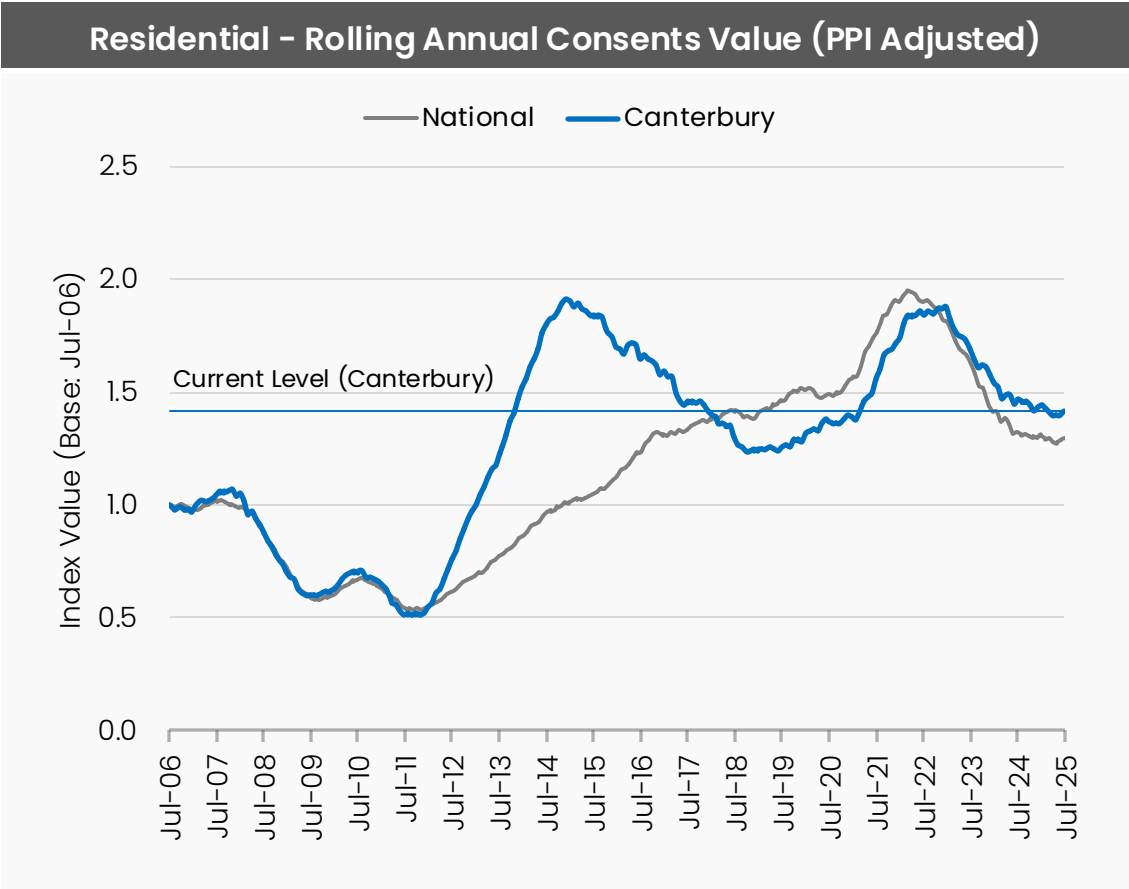


Source: CreditWorks

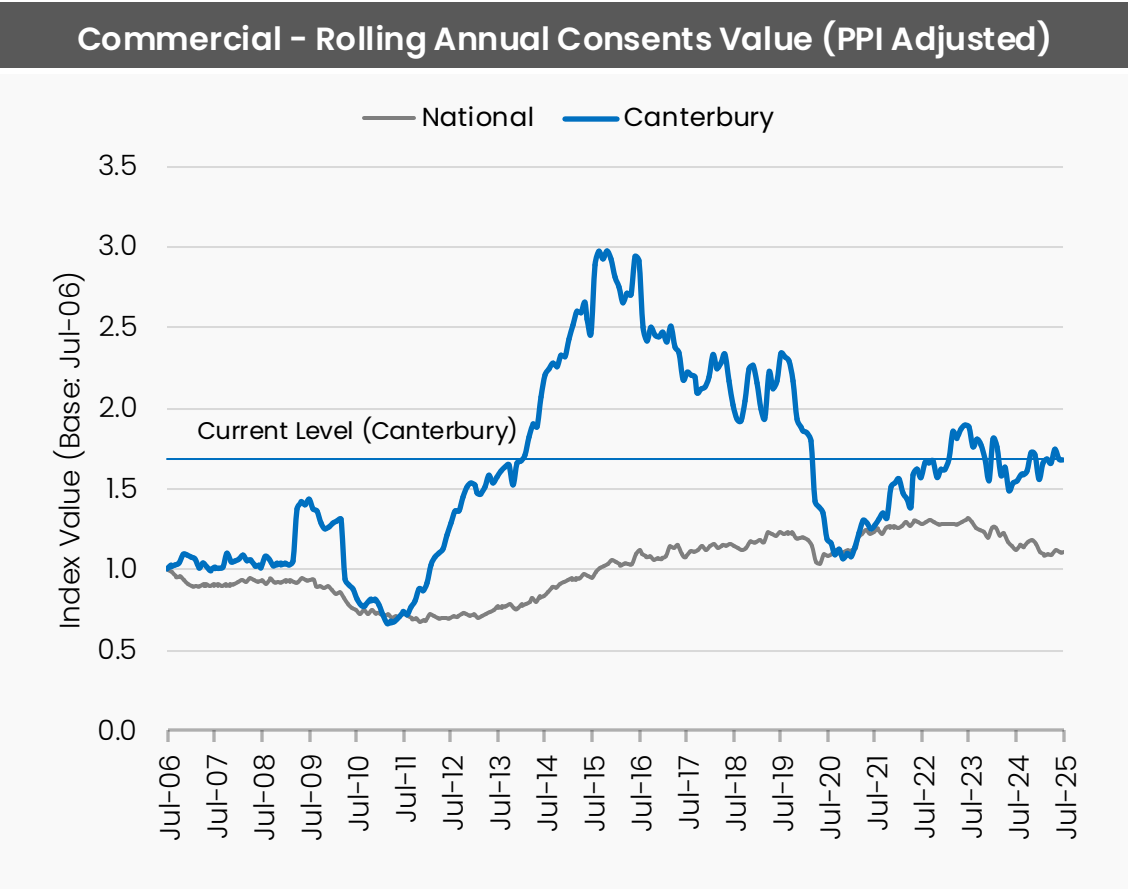


Source: CreditWorks

Canterbury Debtors: Residential & Commercial Consents Value



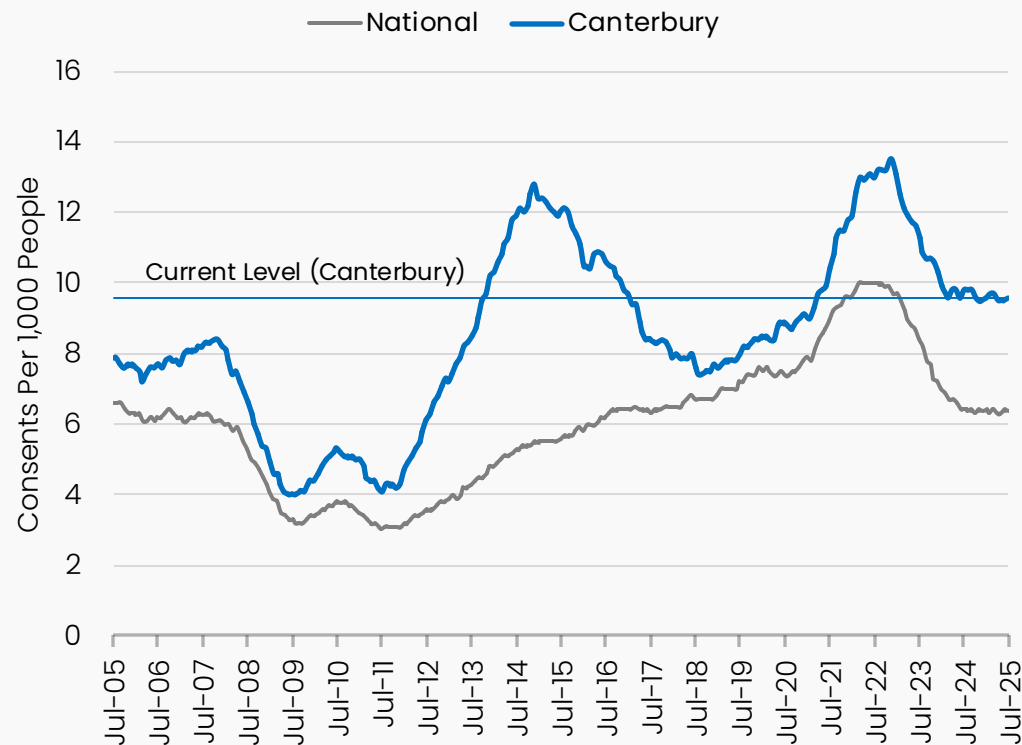
Source: Stats NZ



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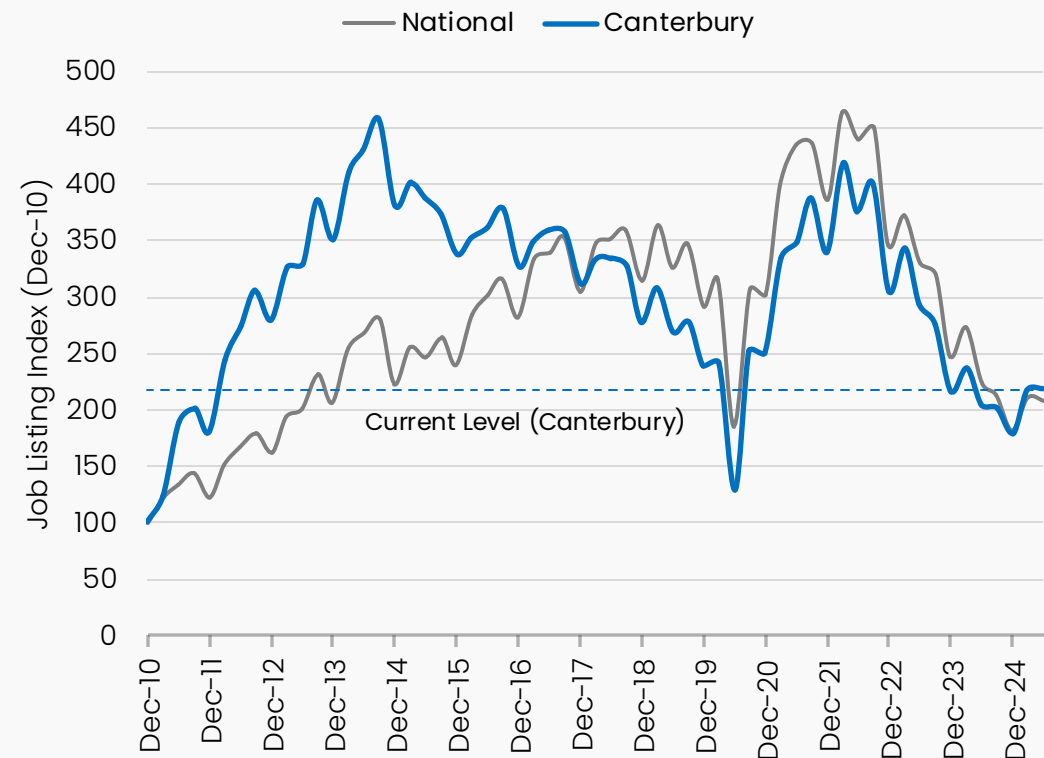
Canterbury Debtors: New Dwelling Consents Per 1,000 People & Job Listings

Monthly New Residential Dwelling Consents Per 1,000 People



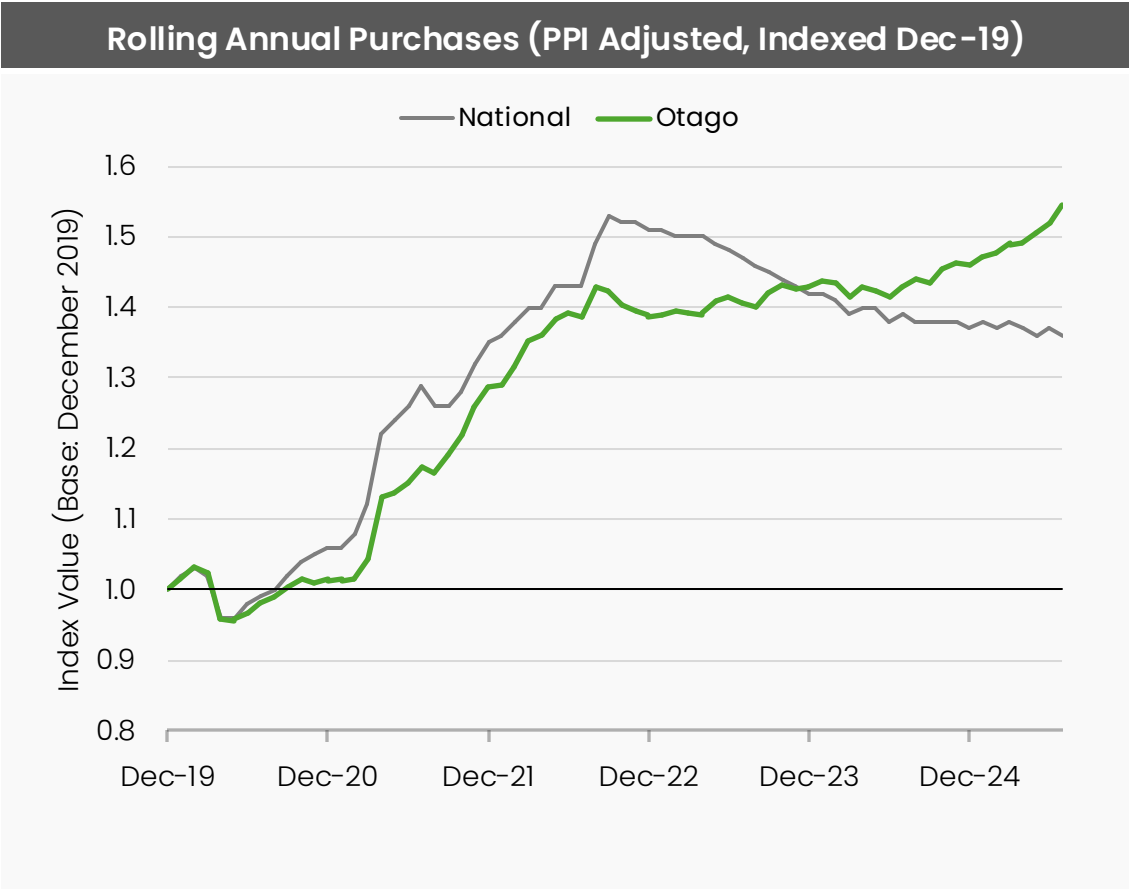
Source: Stats NZ

Construction Job Listings (Indexed Dec-10)

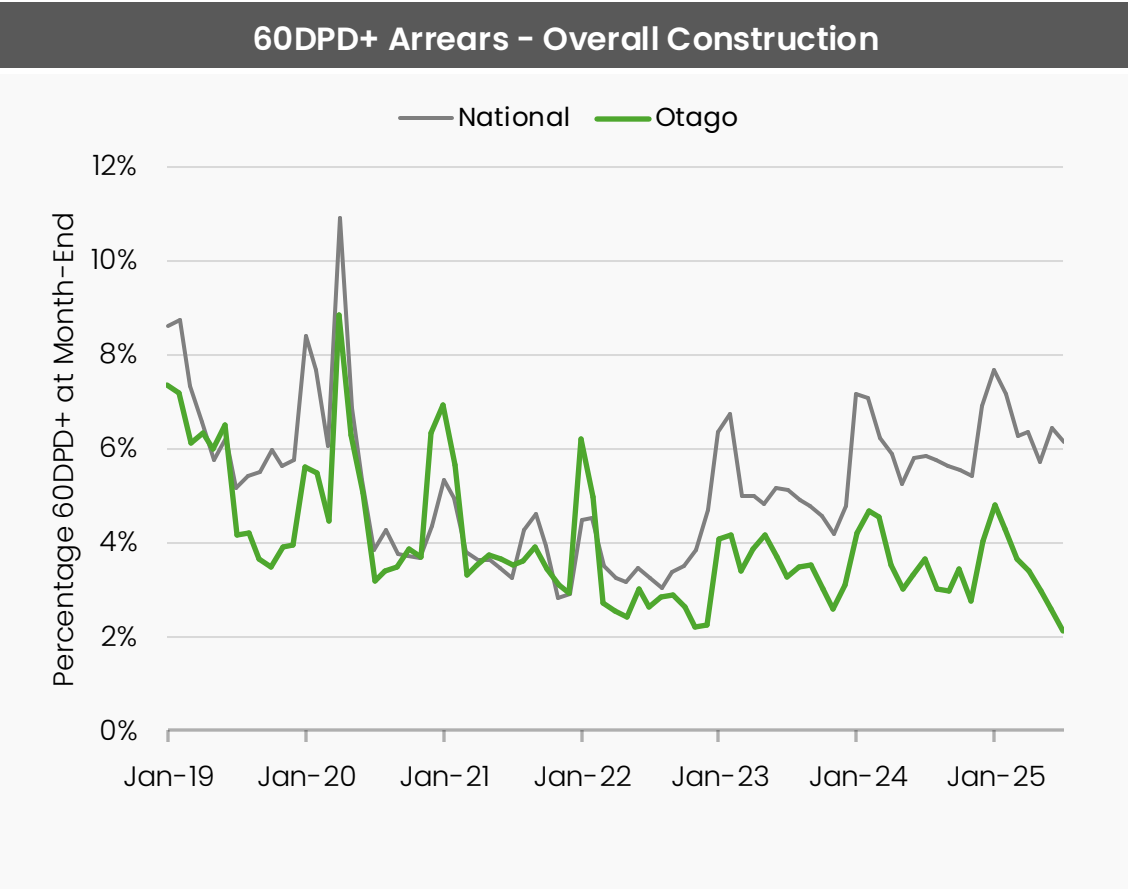


Source: Ministry of Business, Innovation, and Employment

Otago Debtors: Rolling Annual Sales & 60DPD+ Arrears

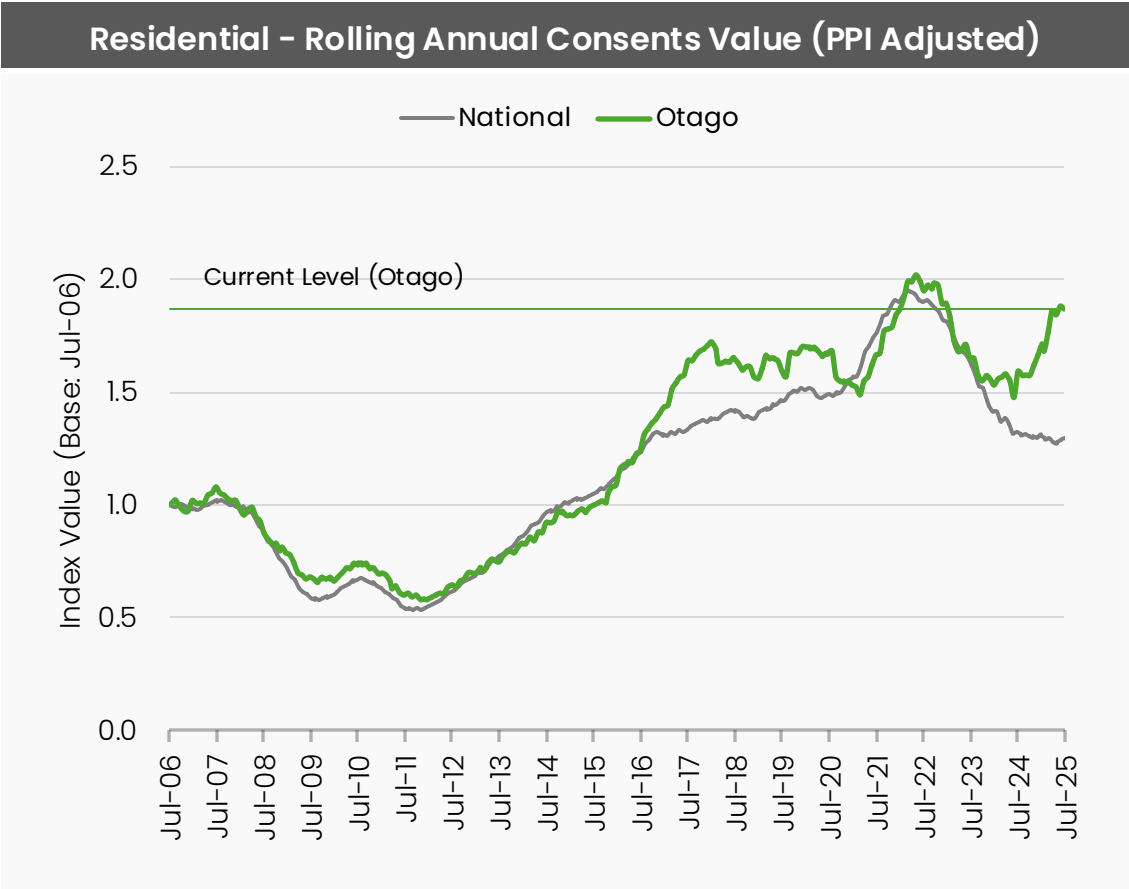


Source: CreditWorks

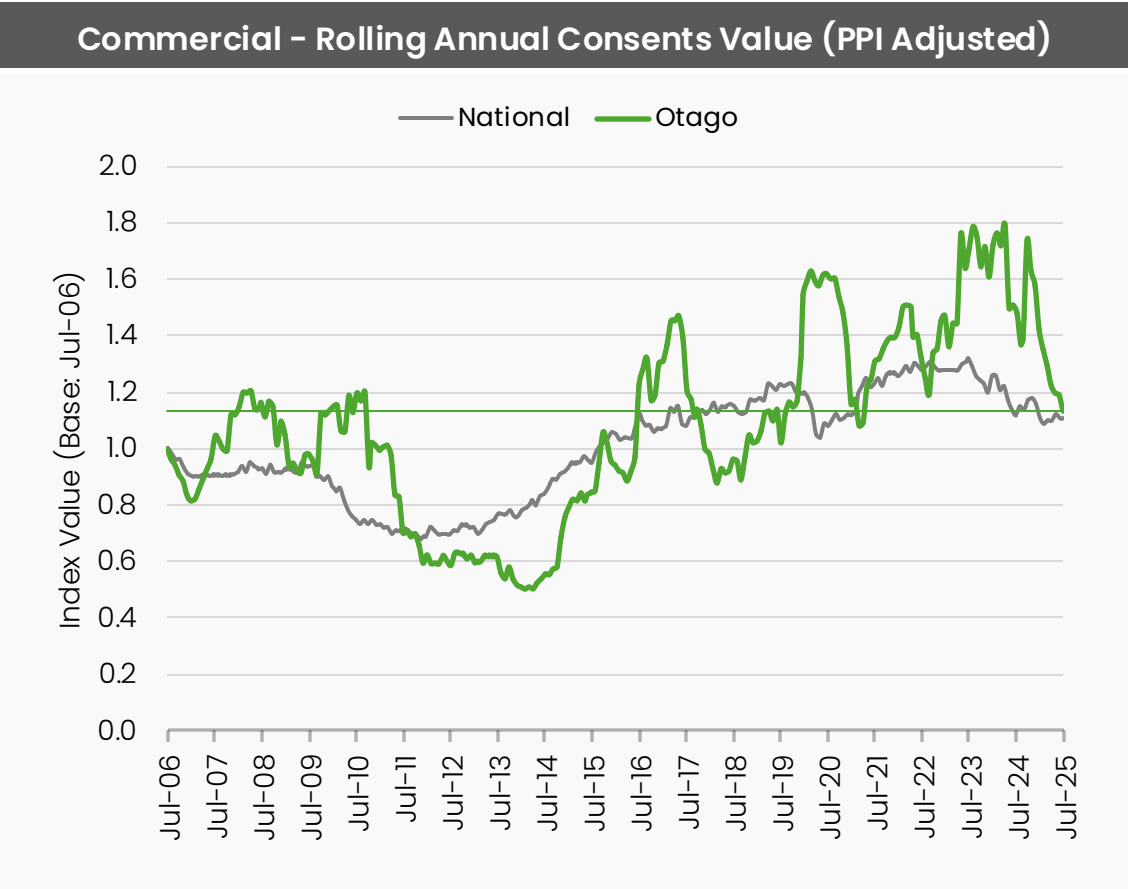


Source: CreditWorks

Otago Debtors: Residential & Commercial Consents Value



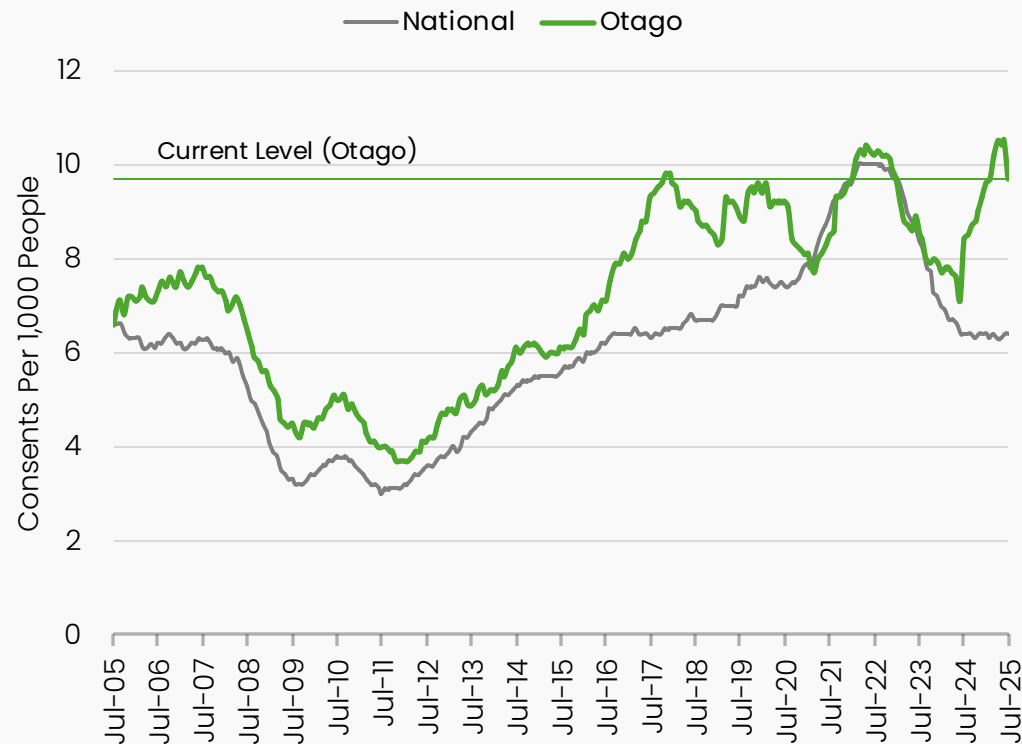
Source: Stats NZ



Source: Stats NZ

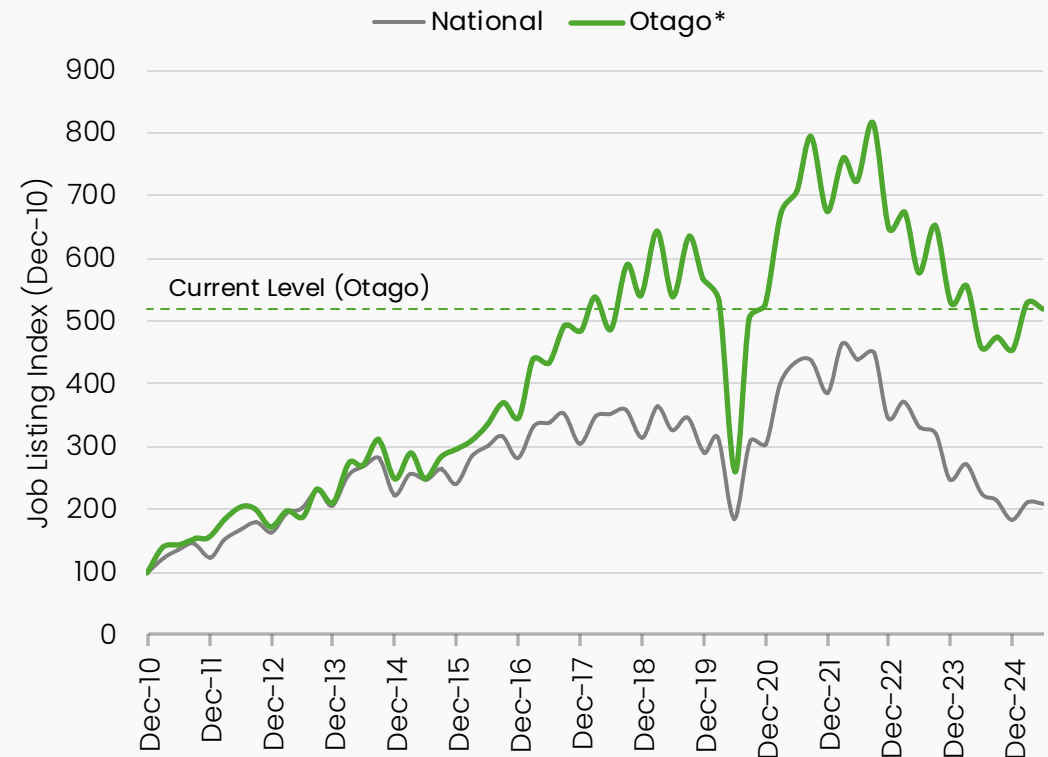
Otago Debtors: New Dwelling Consents Per 1,000 People & Job Listings

Monthly New Residential Dwelling Consents Per 1,000 People



Source: Stats NZ

Construction Job Listings (Indexed Dec-10)



Source: Ministry of Business, Innovation, and Employment (*Jobs Listing for Otago includes Southland)