ACE NZ // MEMBER SURVEY JULY 2025

How's business?

Results from our business sentiment ACE member survey

About this report

Over the last 15 months we surveyed ACE New Zealand members to better understand the state of the sector and business confidence. This enabled us to provide the Government up-to-date information on market sentiment to inform its decision-making processes.

The data showed 2024 was a tough year for many of our members and some found it increasingly difficult to operate. However, our March 2025 survey showed that while business remained slow as we moved into the first quarter of 2025, many business owners were confident about the year ahead.

We are now halfway through 2025. In early July we repeated our survey to ensure we have up-to-date data about the current state of the market and business confidence. This report summarises the findings of our latest survey. It covers:

- Areas we are seeing the biggest slowdowns
- How this is impacting businesses and the future of the sector
- Further opportunities to deliver the existing pipeline more efficiently and effectively in the immediate and longer term

Executive summary

The results of this survey show that the first half of 2025 has remained tough, particularly in the private and residential development sectors, with some firms having to undergo further restructures in the past three months and some larger firms redeploying staff to offshore projects to keep them in work and retain them. However, the results show that we are starting to see a slow increase in work coming to market and improved business confidence looking forward over the next year. A real concern remains that when work does start to come back to a more sustainable level, we won't have the staff and capability to deliver these projects efficiently.

To ensure we harness the opportunities of our new institutional frameworks and upcoming projects, our members would still like the Government to focus on bringing work to market as soon as possible through:

- Breaking down larger projects
- Progressing maintenance and renewal work
- Undertaking rapid procurement and/or working with the private sector to drive more efficient planning and procurement processes to quickly bring funded projects to market
- Progressing work on water infrastructure during the Local Water Done Well transition
- Bringing mid-sized and smaller projects to market, which supports local industry

"Adopting a more bipartisan approach to national infrastructure (per the recent draft Infrastructure plan) will be key to keep consistency in the market rather than the 'start/stop' nature we have seen over the years."

Respondents

We received 75 responses (around 28% of total member firms).[1] 66% of respondents were firms with fewer than 50 employees, reflecting the make-up of ACE's membership which is predominately small and medium sized firms.[2]

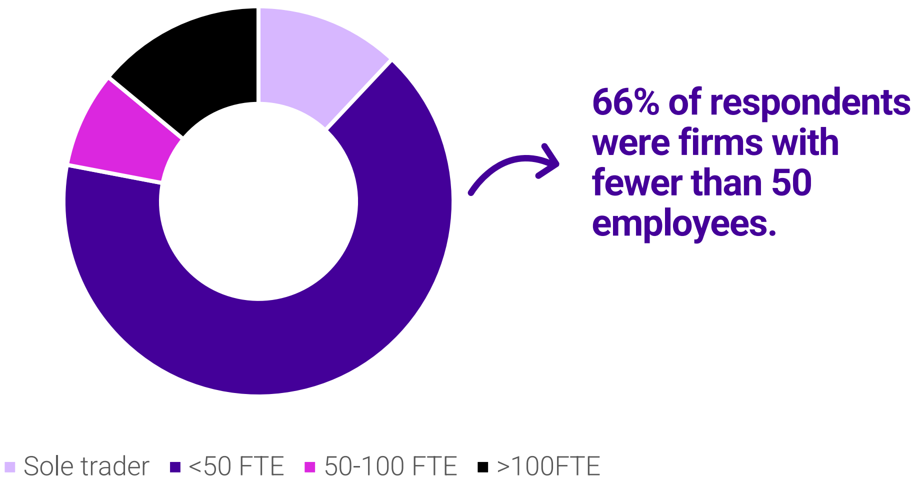

Figure 1. Percentage of respondents by firm size

Professional services consulting firms have experienced a slowdown in work over the last 18 months

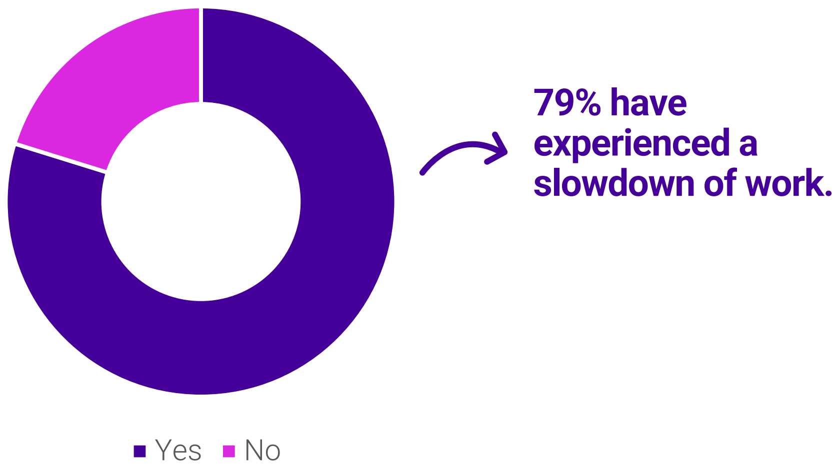

Figure 2. Percentage of respondents that have experienced a slowdown of work in past 18 months

Over the past 18 months the majority of respondents have experienced a slowdown in work, which has had significant impacts on business.

1 66% of respondents had <50 staff, 8% had 51-100 staff, 14% had >100 staff, 12% were sole traders.

2 87% of ACE members are classified as small to medium sized enterprises.

Current situation

The biggest slowdowns continue to be in residential development with an increase in slowdowns reported in vertical construction[3]

Residential development

61% of respondents reported slowdowns in residential development. This continues to be the most severely impacted sector, which is likely indicative of the size and type of firm responding, as well as size of the sector.

Vertical construction

46% of respondents reported a slowdown in private vertical construction which is likely linked to the slowdown in the economy and high interest rates.

33% reported a slowdown in public vertical construction, for example hospitals and schools, which is reflective of slowdowns in work coming through from central government.

Transport

27% of respondents reported slowdowns in transport, similar to results over the past 18 months.

Water

19% of respondents reported slowdowns in the water sector, similar to the March 2025 survey results.

Industrial

16% reported slowdowns in industrial development which like private vertical construction is likely linked to high interest rates, increased construction costs, and a general economic slowdown.

[3] Other areas impacted include energy (7%), and IT

Slowdowns greatest in the private sector

The majority of respondents reported slowdowns in work from both private and government clients. The greatest slowdowns were in the private sector (84%), which is consistent with what we saw in the March 2025 survey results. Local government remains a challenge, with reported slowdowns consistent since November 2024. The biggest change has been seen in work coming from central government clients in which reported slowdowns decreased from 64% in March 2025 to 51% in this survey.[4]

	July 24	November	March	July 25
Central government	58%	62%	64%	51%
Local government	66%	58%	55%	55%
Private sector	85%	85%	89%	84%

Table 1. Percentage comparison of results over the past year of areas seeing biggest slowdowns

Businesses reported a small change in work coming to market over the past three months

When asked if there had been a change in the amount of work coming to market in the past three months, 49% told us things were about the same, which is unchanged from the March 2025 survey, while 31% told us things were getting better. 20% said things were worse, primarily in residential or vertical construction (both private and public).

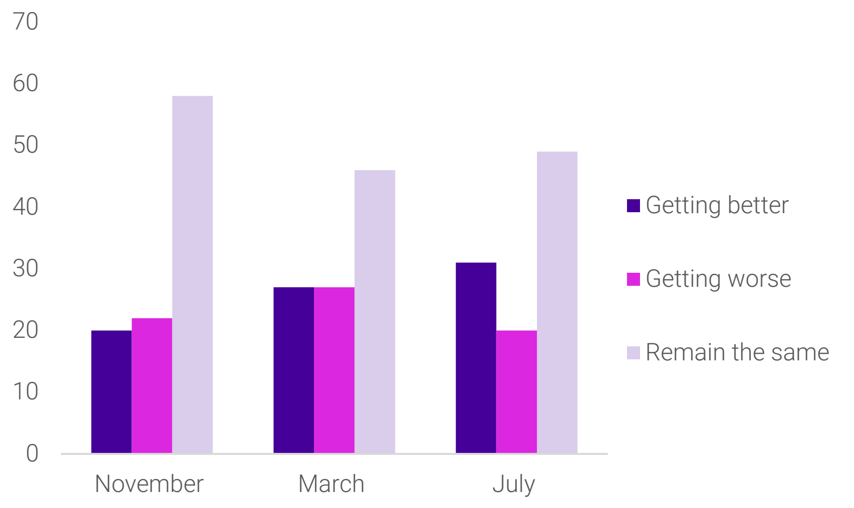

Figure 3. Percentage comparison of results from our last three surveys of the reported change in the amount of work coming to market in the previous three month

[4] Multiple selections were allowed.

Firms have had to make some tough decisions

Firms continue to manage the impacts of the slowdown of work through reducing spend or absorbing costs with lower profit margins. However, a number have had to undertake restructures and have experienced significant staff losses due to redundancies or staff leaving to other opportunities both in New Zealand and overseas.

A few respondents, predominantly large global firms, also reported committing 10-30% of their staff to offshore projects, mainly in transport or water related projects. With so many staff committed to offshore projects this will have implications when work starts to flow in the New Zealand market.

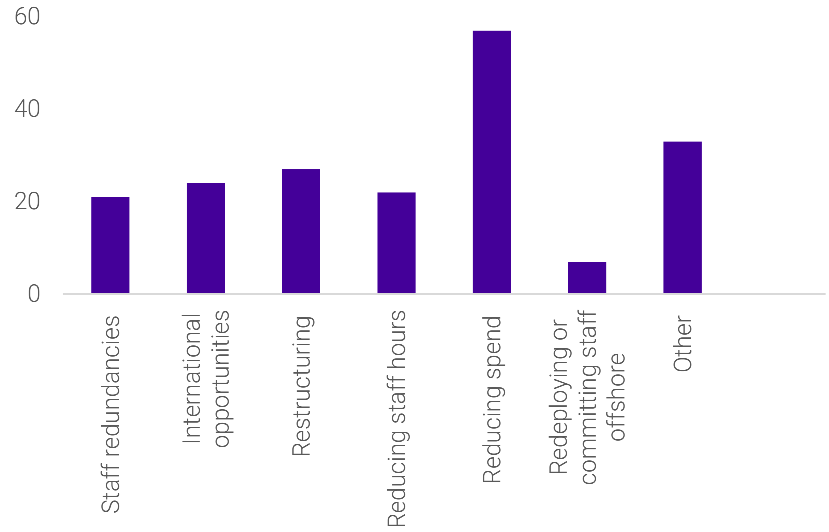

Figure 4. How firms are managing the impacts of the slowdown of work on their business in percentage

Respondents reported losing a further 466 people to redundancies over the past three months, a further 117 to opportunities overseas, and 128 to other opportunities either within New Zealand or unknown.[5] In addition, 11% said they were considering restructuring and 4% said they were currently in the process of restructuring.

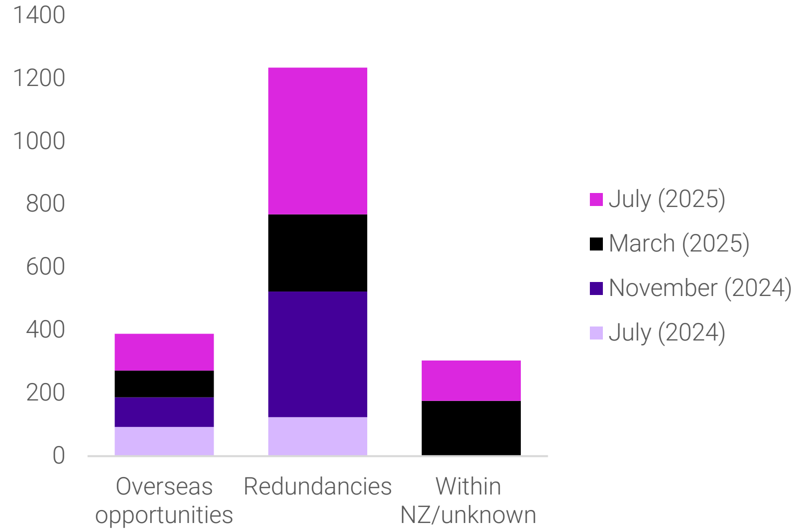

Figure 5. Cumulative staff loses since March 2024 based on our last four survey results

[5] March 2025 was the first survey we included the option of people lost to opportunities within New Zealand or unknown.

Outlook

Business confidence is improving with most firms confident about the next 12 months

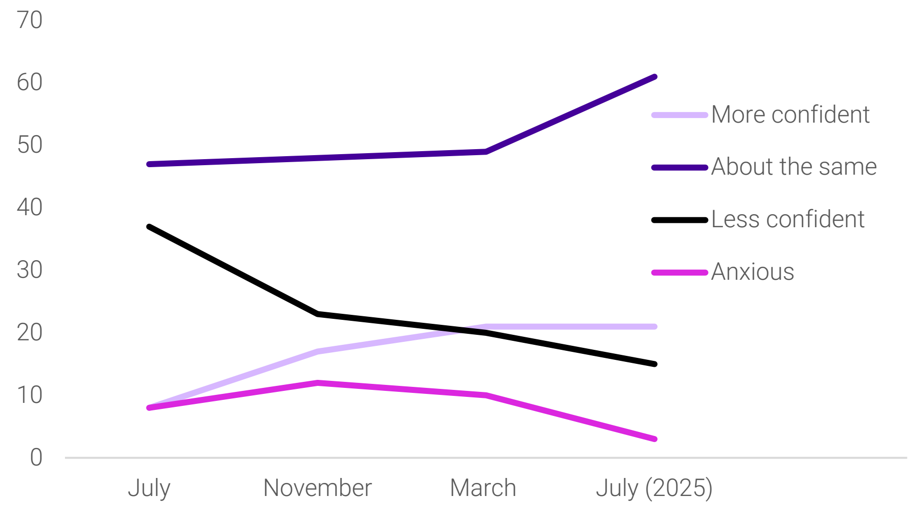

Figure 6. Percentage comparison of the past three surveys of current market confidence

61% of respondents said they had about the same level of confidence as they did three months ago, while 21% reported feeling more confident. The number of firms reporting feeling less confident has decreased compared to previous months, with 15% reporting feeling less confident and 3% feeling anxious about the future of their business, down from 10% in March 2025.

With more work slowly coming to market members are starting to feel more confident about the future of their business.

The majority of respondents reported some level of confidence about the coming 12 months — 47% of respondents had some confidence, 39% were moderately confident, and 8% reported being very confident about the coming 12 months. 7% said they had no confidence at all about the year ahead — those reporting no confidence were all small firms working primarily in the private sector.

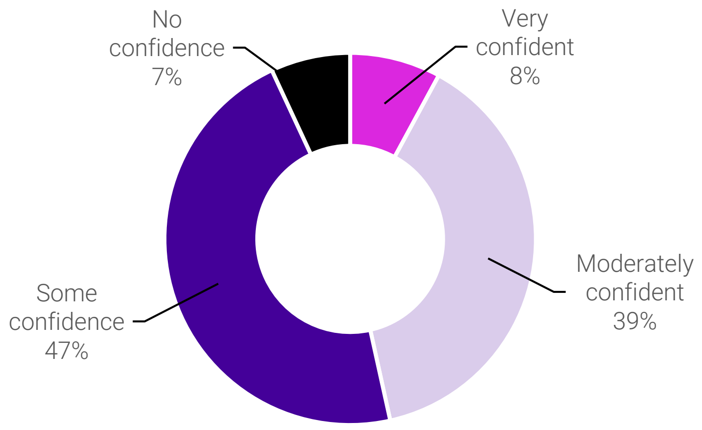

Figure 7. Business confidence looking forward over the next 12 months (in percentage)

Pipeline of work and economic outlook are significant challenges

Respondents continued to report concern about the pipeline of work (74%) as the primary challenge impacting business confidence. While many reported they were concerned about the general economic outlook (63%), this has decreased since the March 2025 survey (79%).[6]

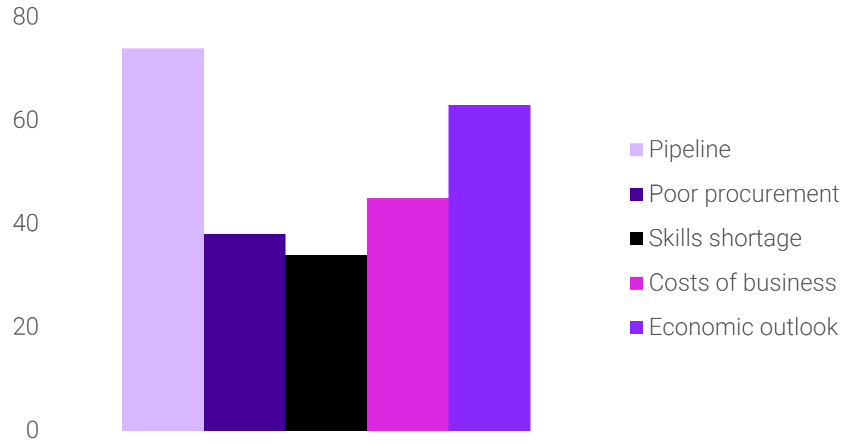

Figure 8. Main challenges impacting confidence (in percentage)

"Speed of decision making is a considerable issue; this creates delays within a project lifecycle which introduces risk to momentum and ability for people to manage and plan for workload impacts."

With more confidence creeping into the market, firms are starting to invest more in their people and businesses

Among those planning to invest in their business over the next 6-12 months (84%), 31% told us they were planning on investing in their current staff, while 38% said they were looking at recruiting new staff, which is an increase from March 2025 when only 23% were planning on recruiting.

15% said they had plans to invest in technology, such as digital tools, automation and AI.

17% said they had either no plans to invest or were planning to reduce investment in their business.

[6] The increasing costs of doing business (45%) and poor procurement (38%), and skills shortage (34%) were also identified as challenges.

Most firms are prepared for an increase in workflow

90% of respondents told us they were either moderately or very prepared for an increase in workflow over the next 6-12 months. Only 8% said they felt unprepared and 1% said they were unsure.

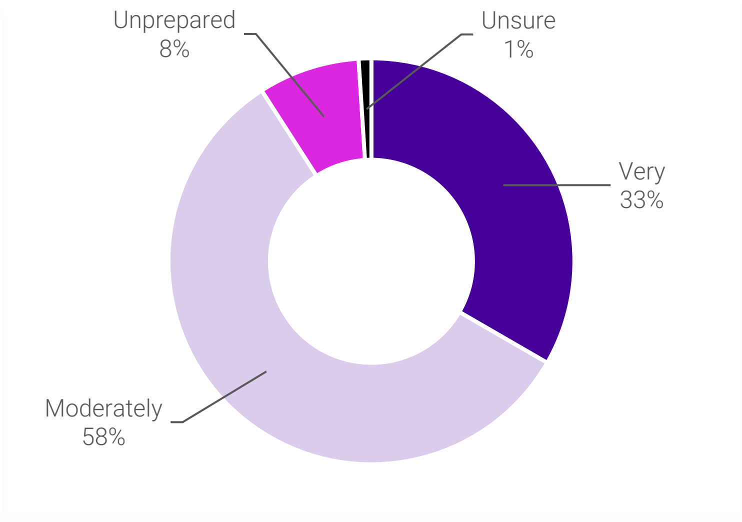

Figure 9. How prepared firms were for an increase in workflow over the next 6-12 months

"The reductions in staff numbers are not just bad for the private sector companies, but will be bad for government when we can't respond — this will look like:

- Higher prices at the tender box as govt projects effectively compete for limited supply chain
- Poor delivery because organisations have over committed to projects
- Increasing staff costs as we need to bring people in from overseas, pushing up project costs
- Poor delivery because the talent and IP has been lost and will take time to build back up."

Opportunities

Ideas and opportunities to deliver the existing pipeline more efficiently over the long term

Firms told us the main things Government can do to support businesses now and help ensure they are ready to deliver when needed is to focus on bringing work to market as soon as possible to sustain delivery capacity, as well as look at more efficient procurement, including contracting. Local government finance and regulatory reform were also identified as important to support and sustain the sector.

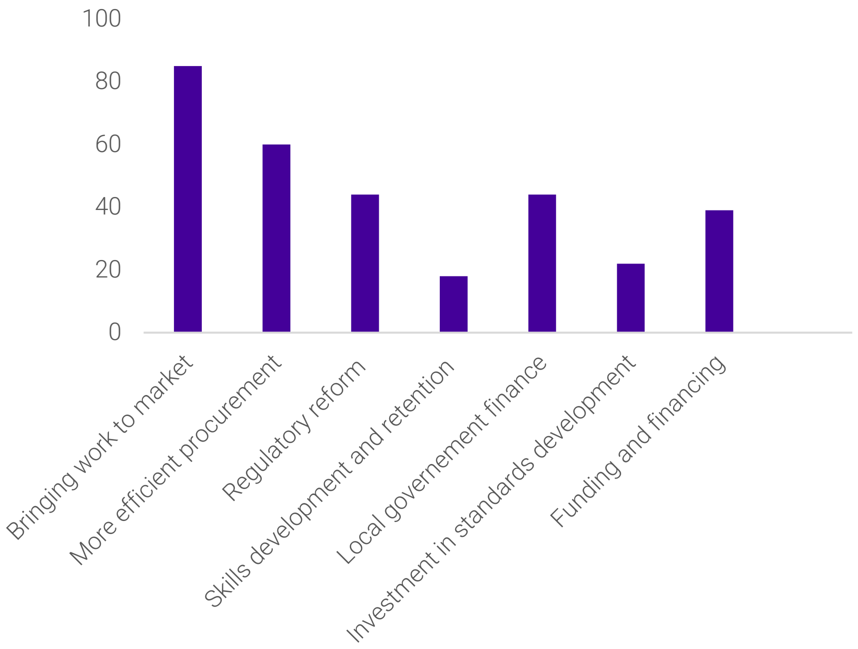

Figure 10. Areas Government can focus over the next 12-18 months (in percentage - multiple responses were allowed)

While work is starting to come into the market, such as the Roads of National Significance, this will only sustain a small section of the market.

To be able to sustain the entire market now, we need a continued focus on maintenance and renewals, and breaking down larger projects including progressing investigations and utility relocations while planning on larger projects continues. We also need a strong pipeline of smaller projects in market. We are hearing this messaging coming through from Government and would like to see a continued focus on smaller projects at both a national and local level.

About ACE New Zealand

ACE New Zealand (the Association of Consulting and Engineering) represents around 270 businesses that employ approximately 16,000 engineers, project managers, planners, scientists, architects, surveyors and other technical disciplines who provide specialist services across the built and natural environment.

Our members are large global firms, SMEs and sole traders that work with New Zealanders to solve complex challenges, designing critical infrastructure that keeps our country moving and our communities thriving.

It is estimated the construction sector contributes more than 7 percent to New Zealand's GDP[7] and is the largest contributor to employment (accounting for 10.4 percent), with professional, scientific and technical services the third largest contributor (accounting for 9.7 percent). Both these sectors are also significant contributors to employment growth in New Zealand.[8]

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[7] Statistics New Zealand. See: https://www.stats.govt.nz/information-releases/gross-domestic-product-march-2022-quarter/.

[8] https://ecoprofile.infometrics.co.nz/new%20zealand/PDFProfile#h10

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