2021

CONSTRUCTION

SUPPLY CHAIN

Q4 UPDATE

EBOSS

THE CURRENT SITUATION:

It is still really tough for supply, with no signs of easing.

This Q4 research of suppliers to the construction industry highlights that the situation is still critical, with continued price increases and freight pressures hitting suppliers hard.

Comparison to the July data from the initial EBOSS Construction Supply Chain Report shows that when asked to forecast, suppliers tend to be optimistic. Predictions from each survey for the period of August to January were too conservative, and in fact, the situation is worse now than three months ago.

THE SURVEY

The data for this Q4 update was gathered in November 2021, with responses from managers of 219 leading product suppliers across all main product categories.

CATEGORY:

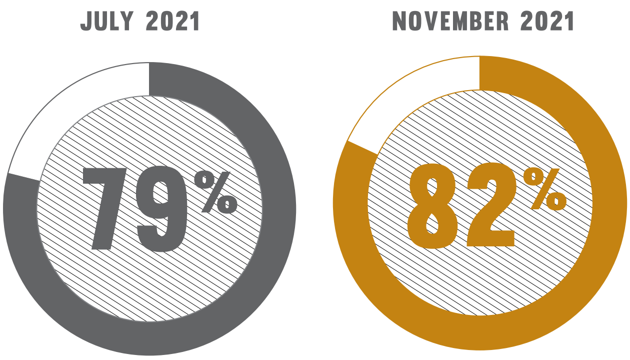
Structure	n=44
Enclosure	n=76
Interior	n=57
Finish	n=38
External	n=27
Other	n=66

REVENUE:

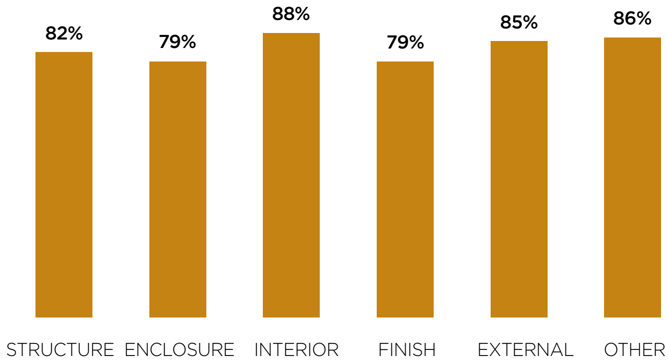
Under $10m	n=45
$10m-$29.9m	n=39
$30m +	n=54
Not provided	n=26

THE CURRENT SITUATION:

THE NOVEMBER SURVEY REVEALS A SLIGHT INCREASE IN THE PROPORTION HAVING ISSUES SUPPLYING THE MARKET



BY CATEGORY: INTERIOR, EXTERNAL, AND 'OTHER' PRODUCTS ARE MORE LIKELY TO BE EXPERIENCING ISSUES WITH SUPPLY*

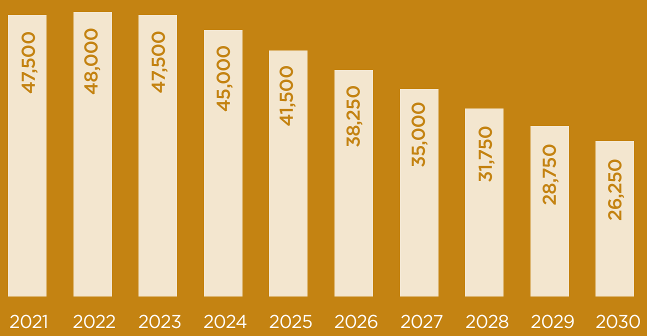


* with a breakdown of categories in the appendix

"It is now clear that builders and architects have taken on too much work, more than the sector is actually able to sustain. Furthermore, they have promised clients totally unrealistic outcomes to secure the work."

"Overwhelming volume of orders, combined with reduced volume of product available. Because we are out of stock on so many lines, we are rarely shipping complete orders."

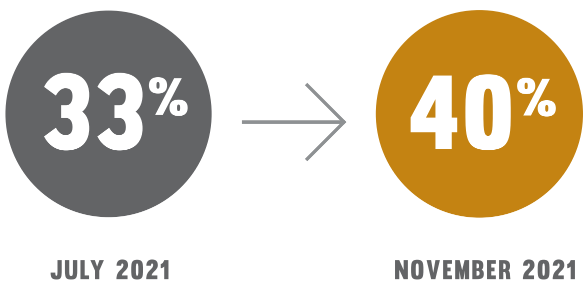
The latest consents forecast from BRANZ show that we can expect strong demand to continue for years to come. How does this translate to actual building work? Given the current high levels of activity, consents may experience some delay before work can commence on site, and it will take time to clear the backlog once consents slow down from 2026 onwards.



Source: BRANZ Forecast, November 2021. Jan-Dec year

In addition, in November there was an increased number of suppliers who were experiencing a shortage of supply of component materials.

SHORTAGE OF COMPONENT MATERIALS SUPPLY

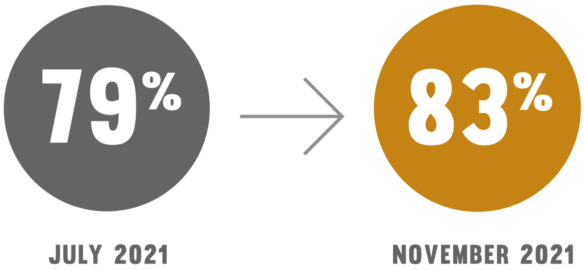


FREIGHT IS STILL OUR LARGEST ISSUE:

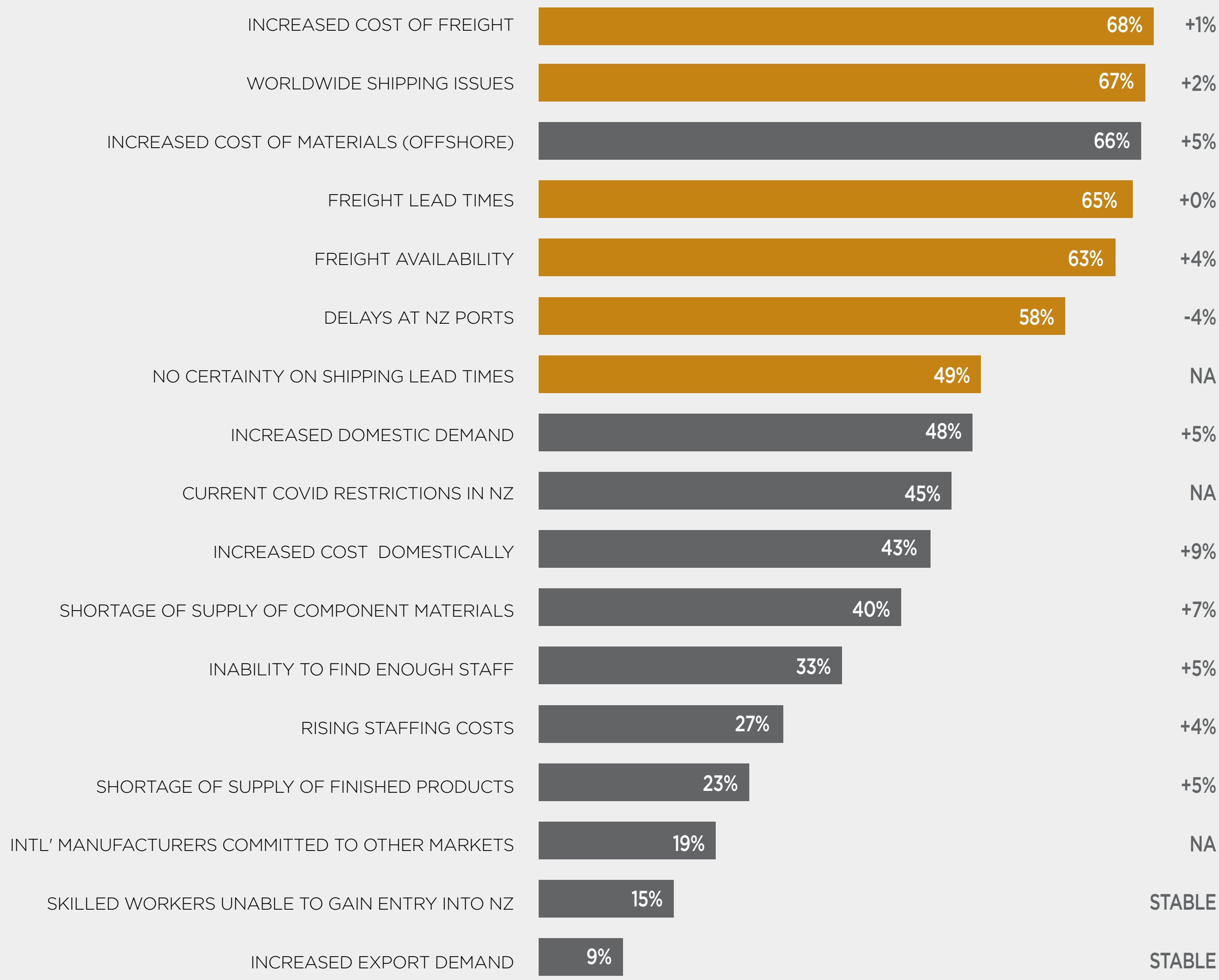
83% of suppliers state freight as a key issue impacting their business' ability to supply, a slight increase compared to three months ago.

In particular, freight availability is an issue. When we look at the ports that our suppliers are relying on, it is worth noting that 1/4 of suppliers rely on key Australian ports.

EXPERIENCING FREIGHT ISSUES



WHICH (IF ANY) OF THE FOLLOWING FACTORS ARE IMPACTING YOUR BUSINESS AND ABILITY TO SUPPLY RIGHT NOW (COMPARED TO JULY 2021)



WHICH COUNTRIES (AND PORTS) DO YOU RELY ON FOR IMPORTS OF YOUR PRODUCTS OR COMPONENTS

AUSTRALIA

MELBOURNE	27%
SYDNEY	24%
BRISBANE	13%
OTHER PORTS	5%
PERTH	3%

EUROPE

OTHER PORTS	31%
GERMANY: HAMBURG	21%
THE NETHERLANDS: ROTTERDAM	10%
BELGIUM: ANTWERP	8%

USA

LOS ANGELES	20%
USA: OTHER	10%
NEW YORK	4%

ASIA

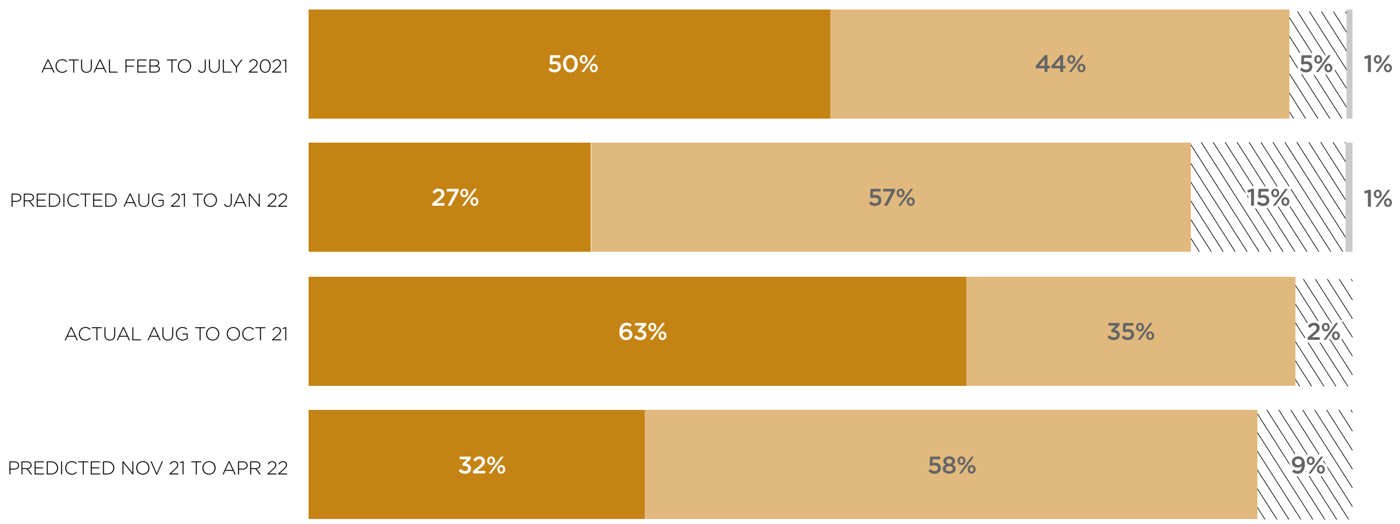
CHINA: SHANGHAI	28%
CHINA: GUANGZHOU	26%
SINGAPORE	26%
CHINA: SHENZHEN	21%
OTHER CHINESE PORTS	14%
MALAYSIA	13%

CHINA: NINGBO-ZHOUSHAN	11%
OTHER ASIAN PORTS	11%
CHINA: HONG KONG	6%
SOUTH KOREA	6%
UAE: DUBAI	2%

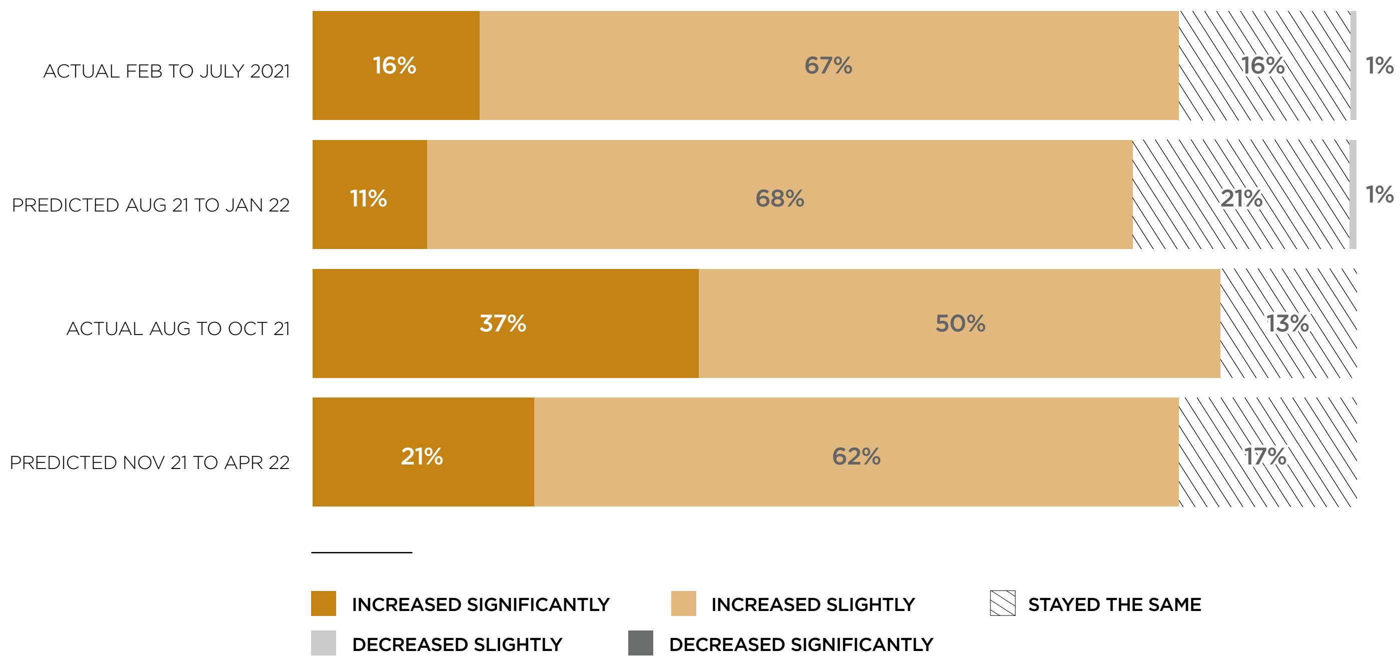
PRICE PRESSURES DON'T APPEAR TO BE EASING ANY TIME SOON

In July, suppliers anticipated that increases to the cost they buy at and price they sell at would start to slow over the following six months. However, three months into that period and it's clear that they have underestimated the ongoing scale of price increases on both sides of the market.

COST YOU BUY IN AT



COST YOU SELL TO MARKET AT



Price increases look to continue, even in light of suppliers saying the rate of increase is likely to slow over the next six months. Following a higher than anticipated 12% increase in material costs over the last 3 months, suppliers are estimating a further 12% increase in the cost of their materials over the next six months. See individual product categories below.

As we highlighted in July, suppliers margins have taken a significant hit over recent months of supply issues. The results suggest this is likely to impact their businesses for quite some time to come as many suppliers struggle to pass on the cost increases in a timely fashion, if at all.

JUST

22%

of suppliers are able to pass on cost increases within 3 months (15% say they don't pass on the full cost increase)

92%

Don't feel fully confident they'll be able to pass on the full cost of increases they experience

LEAD TIMES ARE HIGHLY VARIABLE, BUT ON AVERAGE REQUIRE GOOD FORWARD PLANNING

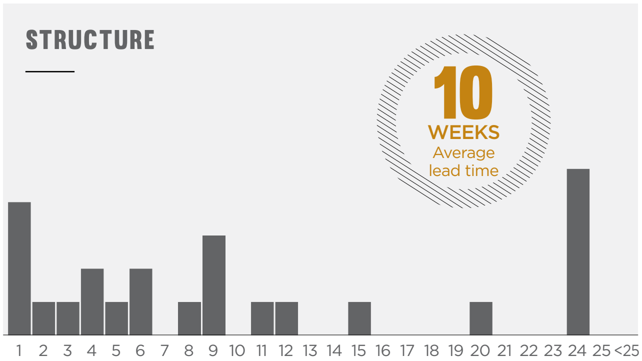
In this Q4 survey, we added more detailed questions around lead times that would assist project planning.

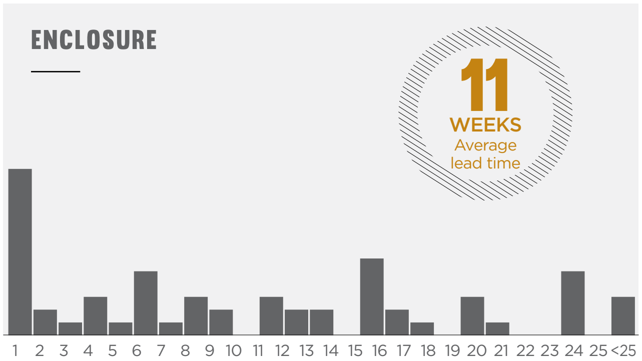
Lead times are defined as being from time of customer order to delivery on site.

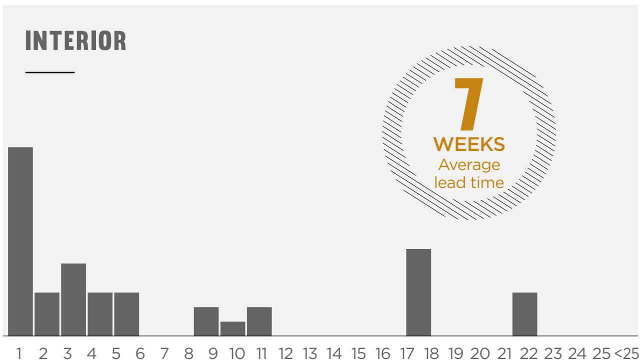
What's clear is that there is a immense amount of variation — both across and within categories.

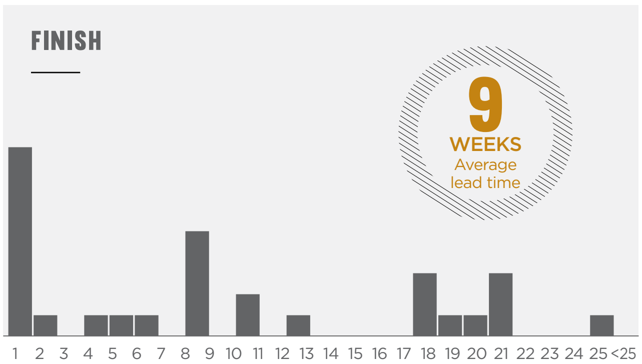
Structure and Enclosure categories have the longest lead times at present, with a significant number of suppliers requiring at least 24 weeks notice for product ordering.

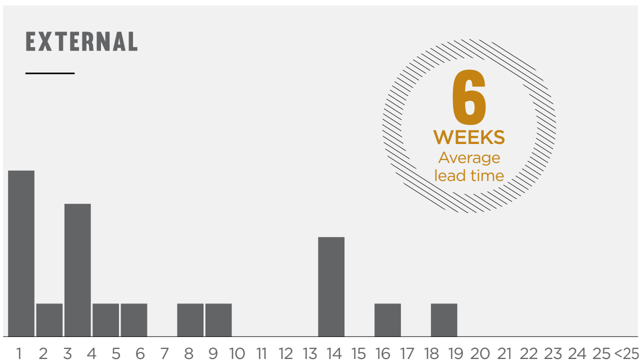
Within the Interior and Finish categories, around 3 in 10 suppliers said they held stock right now which means lead times are only a week or less. However, with the continued freight issues once stocks dwindle the picture may change for these categories.

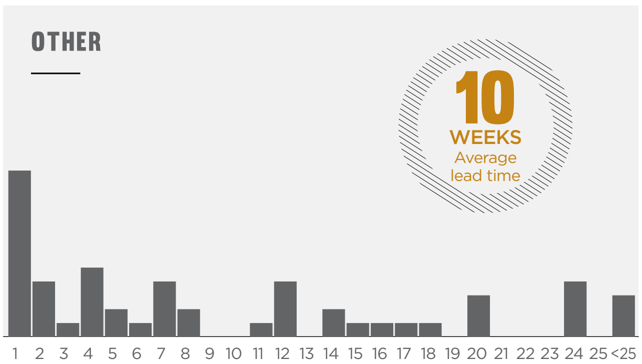












APPENDIX

The categories are described as:

Structure: Aluminium, Composite Panels for Floors and Walls, Concrete, Fasteners and Connectors, Masonry, Plastics, Site Safety and Roof Access Equipment, Stainless Steel, Steel, Structural Systems, Structural Timber

Enclosure: Awnings and Canopies, Enclosure Adhesives, Sealants and Fasteners, Enclosure Balustrades and Stairs, Exterior Decorative Items, Flashings and Expansion Joints, Glazing, Insulation, Roofing and Decking, Tanking and Pre-Cladding, Wall Cladding, Windows, and Doors

Interior: Ceiling Systems, Floors, Furniture, Hardware, Joinery Fixtures and Appliances, Partitions and Interior Doors, Signs and Features, Wall, and Ceiling Linings

Finish: Applied Coatings, Carpeting, Flooring Ancillaries, Flooring Underlays, Overlay Flooring and Wall Panels, Painting, Decoration and Coating, Resilient Surfacing, Tiling

External: Engineering Works, External Heating, Landscaping, Roads and Paving, Stretched Fabric Systems

Other: Services, Central Vacuum Systems, Communications and Controls, Fire Safety, Heating and Cooling, Lighting and Electrical, Plumbing and Drainage, Sanitaryware, Tapware, Transport, Ventilation and Air Conditioning

ABOUT EBOSS

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Note: The ratings in some of the stacked bar charts may not add to 100%. This is due to rounding.