

Fletcher expects construction market to fall by 20pc

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Fletcher Building chief executive Ross Taylor says [the Victorian lockdowns](#) have added another layer of uncertainty to the economy as he forecast a 20 per cent downturn in the Australian construction industry.

Fletcher announced a heavy full-year loss of \$NZ196 million (\$181 million) on Tuesday after bringing forward its results announcement by more than a week. The bottom line was decimated by one-off losses of \$NZ276 million because of mass redundancies and fallout from COVID-19.



Fletcher Building says there's a huge amount of uncertainty around. **Paul Jeffers**

Mr Taylor said it was simply too hard to make detailed predictions about any COVID-19 recovery, although the group's New Zealand operations had a robust July as that country emerged from lockdown without any community transmission of the virus.

"There's a lot of uncertainty out there, including Victoria going into shutdown," Mr Taylor said.

The NZ economy had made a solid start to the new financial year.

"We're seeing solid trading in July," he said.

But it was difficult to gauge the full impact of COVID-19 fallout on the economy, and how people would react once NZ subsidies and Australia's JobKeeper program ended. It was unlikely there would be much clarity before the end of calendar 2020.

Fletcher Building on May 20 announced it would sack 1500 people, 500 of them in Australia, because of a sharp drop in demand as the economic damage from the pandemic washed through the construction sector.

The firings will hit about 12 per cent of the workforce of the trans-Tasman company, that is listed on the New Zealand and Australian stock exchanges.

Cost base slashed

The company operates a \$3 billion-plus building products business in Australia under brands including Tradelink plumbing and bathroom supplies, Stramit roofing and structural steel, Iplex pipes, Rocla concrete, Tasman Sinkware and Fletcher insulation.

Mr Taylor said Fletcher had reduced its overall cost base by \$NZ300 million.

As part of the one-offs, the company announced an impairment of \$NZ59 million on the Rocla concrete business it has put up for sale.

Mr Taylor said the company had closed some supply chain and manufacturing facilities, cut office space and removed some unprofitable product lines.

He said a full rundown of each division's performance would be given on August 19 when the detailed financial results would be announced.

He said no decision had been made about whether to pay a final dividend, and that was a matter for the board and would be announced on August 19.

"We've got nothing to say on that," Mr Taylor said. The company did not pay an interim dividend.

He said the reopening of the New Zealand economy had brought some complex issues because the international border was still closed.

There was strong demand for skilled tradespeople and those with other specialist skills, which was driving up prices for labour in some areas.

"Everyone is fishing in the same pool," he said.