

BNZ – BUSINESSNZ PERFORMANCE OF MANUFACTURING INDEX

Incremental improvement

13 Sep, 2024

45.8

August

+1.4

Monthly Change

Contracting

Slower Rate

New Zealand’s manufacturing sector showed further signs of improvement during August, although still in contraction, according to the latest BNZ – BusinessNZ Performance of Manufacturing Index (PMI).

The seasonally adjusted PMI for August was 45.8 (a PMI reading above 50.0 indicates that manufacturing is generally expanding; below 50.0 that it is declining). This was up from 44.4 in July, but still significantly below the long term average of 52.6. The sector has now been in contraction for 18 consecutive months.

BusinessNZ’s Director, Advocacy Catherine Beard said that the PMI is heading back in the right direction, but the pathway to eventual expansion after a year and a half being firmly in contraction mode means there is still some way to go.

“The key sub-index results for Production (46.3) and New Orders (46.8) were both the strongest they have been in a few months, with the former improving significantly from June. Employment (46.6) recovered somewhat from its June/July dip, while Finished Stocks (46.2) was all but unchanged from July”.

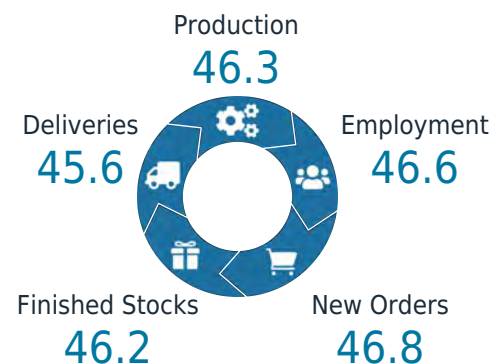
Given the ongoing improvement in activity for August, the proportion of negative comments stood at 64.2% for the current month, compared with 71.1% in July and 76.3% in June. Negative comments typically focused on the general economic recession, including lack of demand and cost of living.

BNZ’s Senior Economist Doug Steel said that “while business confidence and building consent indicators have ticked up from their very low levels offering potential for improvement over the coming 12 months, the PMI is an indicator of outcomes and continues to show that current conditions remain challenging”.

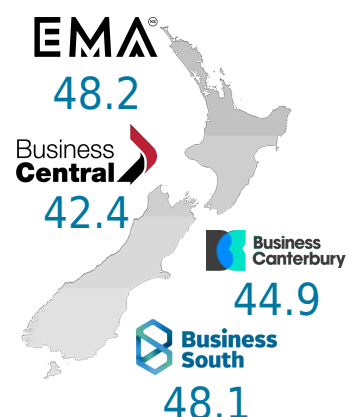


Catherine Beard
Director, Advocacy
BusinessNZ

Main Indices



Regional Results



[VIEW THE TIME SERIES DATA](#)



Manufacturing Snapshot

Small tick up

The Performance of Manufacturing Index (PMI) lifted slightly from 44.4 to 45.8 in August but remains firmly in contractionary territory.

[Read more](#)

Weak but improving

While all sub-indices remain well below their historical average, four of the five sub-indices improved in August.

[Read more](#)

Destocking trend continues

The PMI finished stocks index was the only sub-index to fall in August. It eased slightly to 46.2 as the destocking trend continued.

[Read more](#)

Glimmers of hope

While the August result is far from good, there have been some positive developments. Business confidence has improved further following the Reserve Bank of New Zealand's OCR cut in August.

[Read more](#)



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[VIEW FULL BNZ MANUFACTURING SNAPSHOT](#)

Sponsor Statement

BNZ is delighted to be associated with the Performance of Manufacturing Index (PMI) and BusinessNZ. This association brings together the significant experience of leading business advocacy body BusinessNZ, and business finance specialist BNZ. We look forward to continuing our association with BusinessNZ and associated regional organisations, and to playing our part in the ongoing development of the New Zealand manufacturing sector.

[View Website](#)

PMI Time Series Table

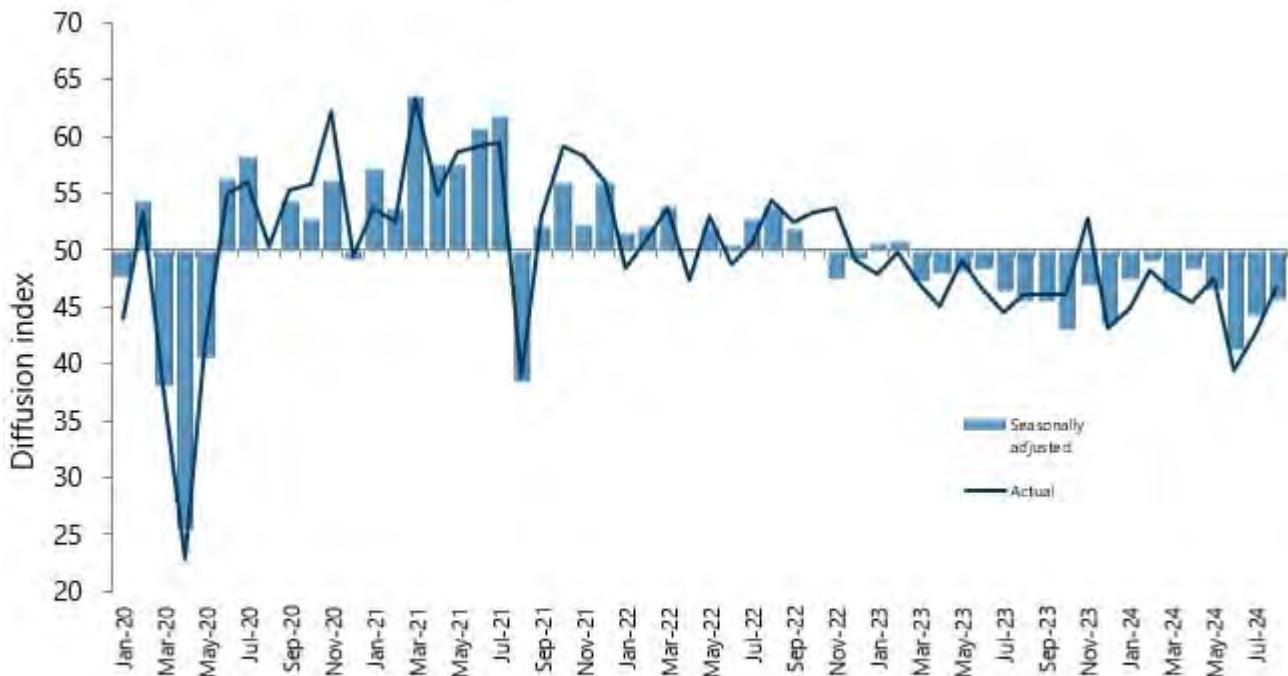
The results are seasonally adjusted.

National Indices	Aug 2023	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024
BNZ - BusinessNZ PMI	45.5	48.5	46.7	41.4	44.4	45.8
Production	42.8	49.9	44.0	35.2	44.2	46.3
Employment	47.4	50.5	50.0	44.2	43.5	46.6
New Orders	45.2	45.0	44.2	39.5	43.3	46.8
Finished Stocks	52.2	50.5	52.1	47.6	46.3	46.2
Deliveries	47.4	47.8	44.9	45.0	44.7	45.6

[VIEW THE TIME SERIES DATA](#)

BNZ - BusinessNZ PMI Time Series

January 2020 - August 2024

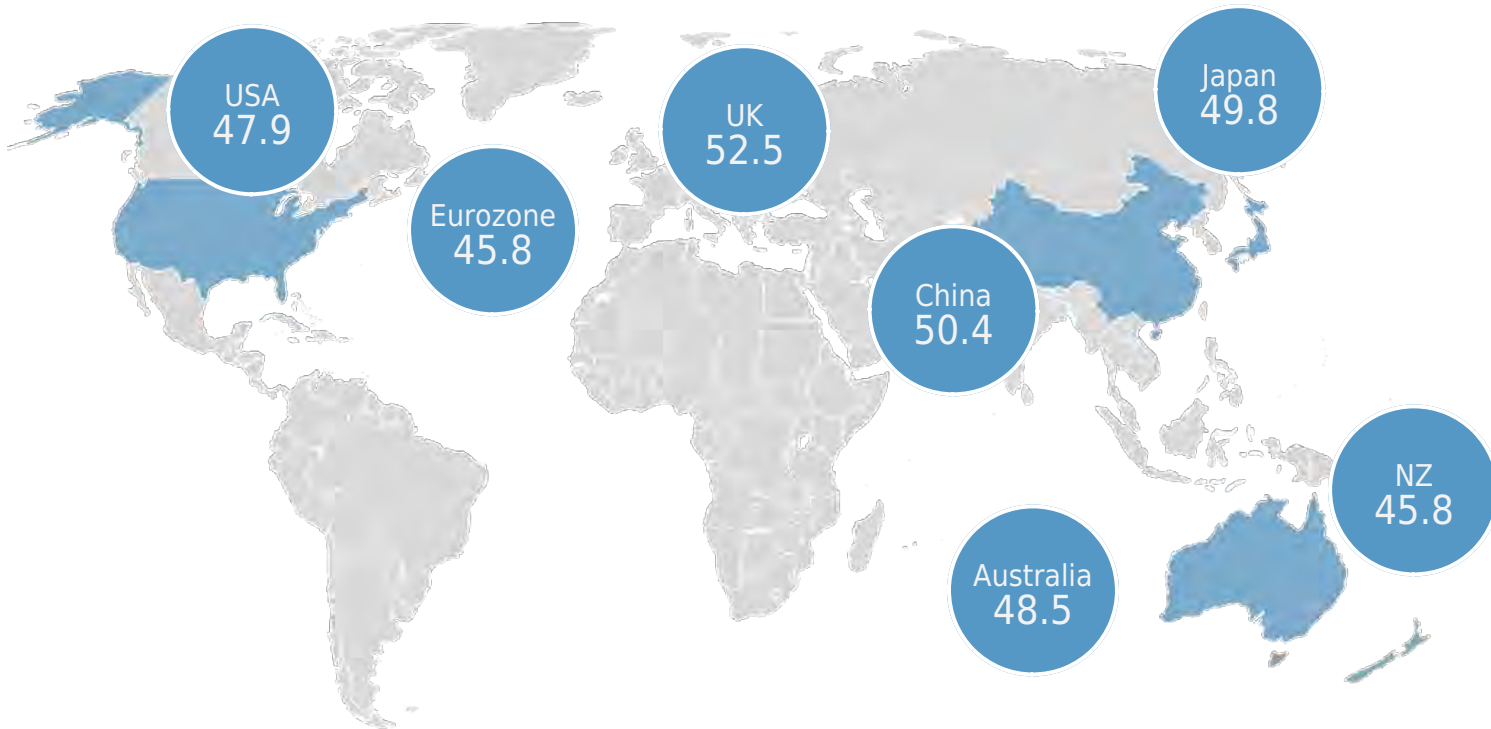


International Results

J.P. Morgan Global Manufacturing PMI™

03 Sep 2024

49.5



About the PMI

The BNZ - BusinessNZ Performance of Manufacturing Index is a monthly survey of the manufacturing sector providing an early indicator of activity levels. A PMI reading above 50 points indicates manufacturing activity is expanding; below 50 indicates it is contracting. The main PMI and sub-index results are seasonally adjusted.

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Our Contributors

The BNZ - BusinessNZ PMI contains data obtained through BusinessNZ's regional organisations



Manufacturing Snapshot

13 September 2024

Small tick up

The Performance of Manufacturing Index (PMI) lifted slightly from 44.4 to 45.8 in August but remains firmly in contractionary territory. The PMI has now been stuck below 50 for 18 consecutive months and the August result remains consistent with a struggling manufacturing sector. While business confidence and building consent indicators have ticked up from their very low levels offering potential for improvement over the coming 12 months, which is consistent with our economic forecasts, the PMI is an indicator of outcomes and continues to show that current conditions remain challenging. Our economic forecasts remain for the manufacturing sector to turn when the broader economy turns.

Weak but improving

While all sub-indices remain well below their historical average, four of the five sub-indices improved in August. The PMI new orders index recovered the most from 43.3 to 46.8. While not indicating expansion, it is considerably less pessimistic than June's 39.5. It is a step in the right direction and if this trend continues it is not far from indicating an upturn in demand. The PMI new orders indicator remains softer than the recent lift in QSBO new orders. In any case, it is worth remembering that the current starting point for the manufacturing sector remains very weak. The PMI employment index also increased, from 43.5 to 46.6, but still implies a further reduction in manufacturing employment.

Destocking trend continues

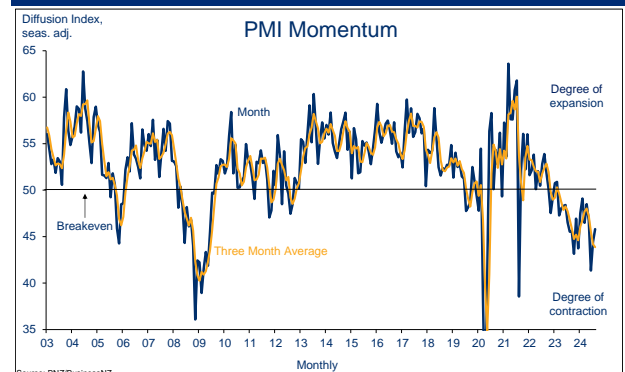
The PMI finished stocks index was the only sub-index to fall in August. It eased slightly to 46.2 as the destocking trend continued. On a three-month moving average basis, the index is now at its lowest level since 2020. The PMI finished stocks index is now slightly below the PMI new orders index – for the first time in two years. This suggests more scope for manufacturing production to pick up upon an eventual turn in demand.

Glimmers of hope

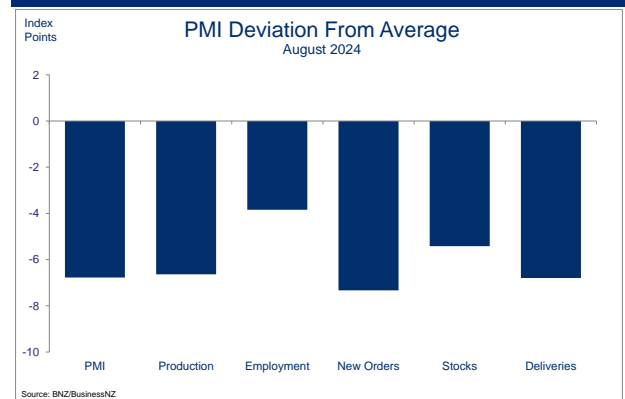
While the August result is far from good, there have been some positive developments. Business confidence has improved further following the Reserve Bank of New Zealand's OCR cut in August. While falling interest rates will support demand, it will take time for the lower OCR to generate a pick-up in sales. We anticipate next week's Q2 GDP figures to include an expansion in the manufacturing component for the quarter, driven by gains in some individual industries like Transport and Machinery Equipment, but more general weakness to be evident with annual growth still clearly negative.

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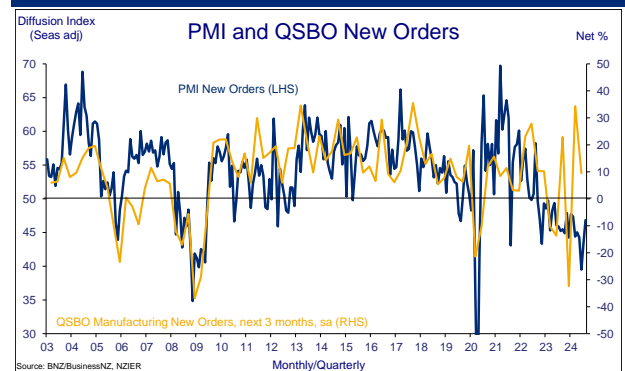
Weakness persists



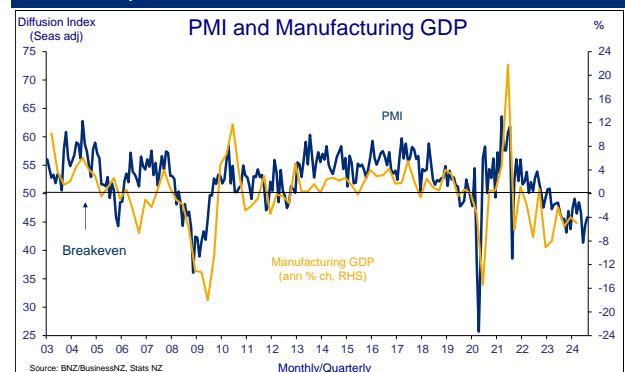
Fragile across the board



Moving in the right direction



Not there yet



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