

BNZ – BUSINESSNZ PERFORMANCE OF MANUFACTURING INDEX

Stuck in reverse

20 Jan 2023

47.2

December

0.0

Monthly Change

contracting

same rate

New Zealand’s manufacturing sector saw the same level of contraction in December that it experienced the previous month, according to the latest BNZ – BusinessNZ Performance of Manufacturing Index (PMI).

The seasonally adjusted PMI for December was 47.2 (a PMI reading above 50.0 indicates that manufacturing is generally expanding; below 50.0 that it is declining). This was the same as November, and meant the last quarter of 2022 ended in contraction for all three months.

BusinessNZ’s Director, Advocacy Catherine Beard said that the December result showed little in the way of a move towards expansion, and again mirrored offshore movements. New Zealand manufacturers may need to brace for a challenging 2023 ahead.

“While New Orders (46.1) did show some improvement from November, Finished Stocks (50.1) and Delivery of Raw Materials (48.4) both fell further in December. Production (49.7) remains in a tight band of activity, hovering just below the no change mark, while Employment (48.8) returned to October levels”.

The negative mindset of manufacturers has picked up pace, with the proportion of negative comments at 63.5%. This compares with 58.4% for November, 61.6% for October and 61.5% for September. Labour shortages (skilled and unskilled) was a constant theme, as well as supply chain disruptions.

BNZ Senior Economist, Doug Steel stated that the latest PMI result “broadly fits with the clear decline we already expect for manufacturing GDP in Q4 with further slippage expected in Q1”.

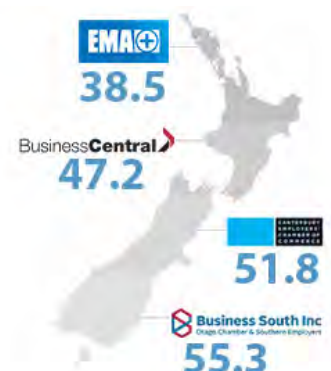


Catherine Beard
Director, Advocacy
BusinessNZ

Main Indicies



Regional Results



[VIEW THE TIME SERIES DATA](#)



Manufacturing Snapshot

Gloom remains

Perhaps the best that one can say about December's PMI result is that it didn't get any worse as it matched November's 47.2. But that is of little solace when another sub-50 reading indicates that the manufacturing sector continued to contract into the end of last year.

[Read more](#)

Employment

The PMI employment index edged up to 48.8 in December from 46.9 in November. However, this marks the third consecutive sub-50 reading. The lack of positive employment growth signals over recent times has been hindered by widespread difficulty in finding suitable staff.

[Read more](#)

Variable

A host of strong cross currents continue to affect the general business environment generating significantly more variation across industries and regions than is usual.

[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	Dec 2021	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022
BNZ - BusinessNZ PMI	54.2	54.6	51.5	49.0	47.2	47.2
Production	56.6	54.3	51.7	49.8	49.5	49.7
Employment	51.8	53.5	51.6	48.8	46.9	48.8
New Orders	57.1	59.8	48.2	44.7	42.2	46.1
Finished Stocks	55.0	52.9	55.2	54.6	55.5	50.1
Deliveries	53.2	54.0	54.4	55.1	49.6	48.4

[VIEW THE TIME SERIES DATA](#)

BNZ - BusinessNZ PMI Time Series

January 2018 - December 2022

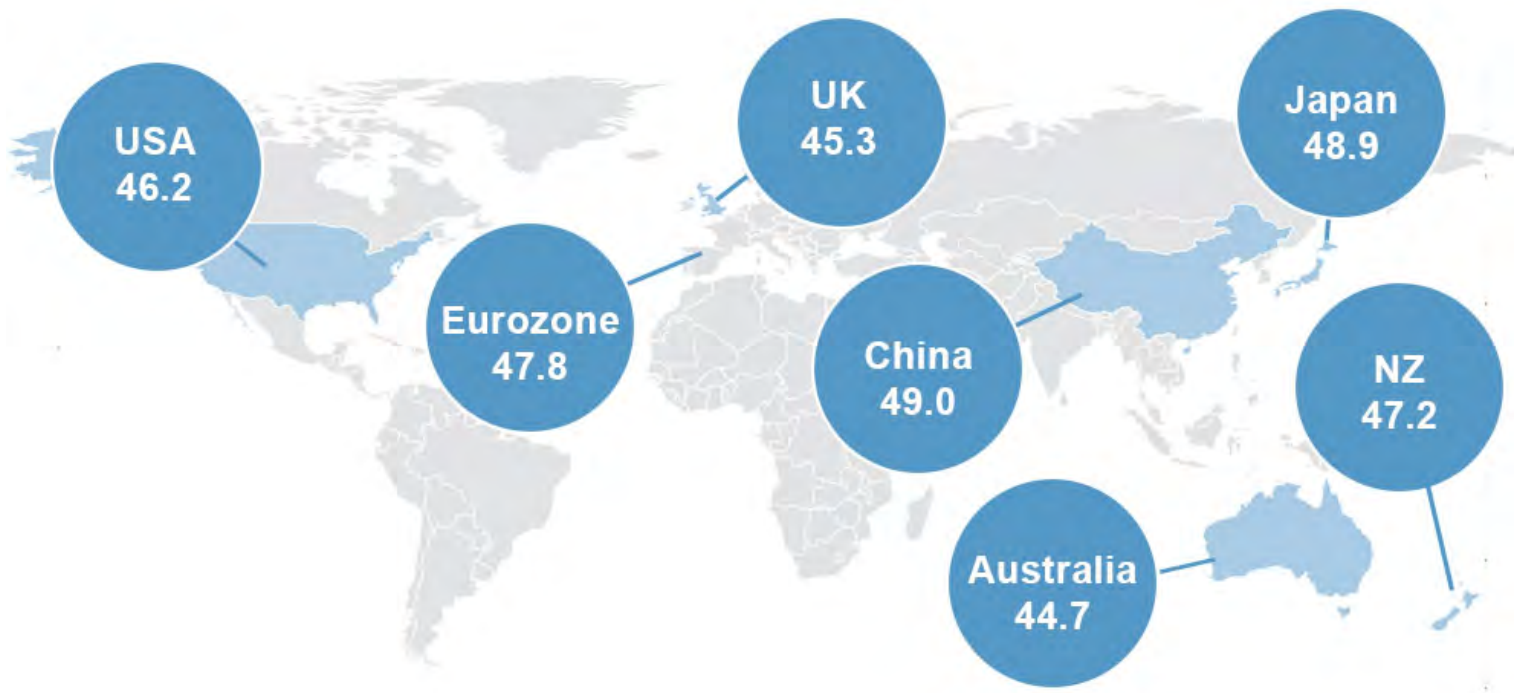


International Results

J.P. Morgan Global Manufacturing PMI™

04 Jan 2023

48.6



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

20 January 2023

Gloom remains

Perhaps the best that one can say about December's PMI result is that it didn't get any worse as it matched November's 47.2. But that is of little solace when another sub-50 reading indicates that the manufacturing sector continued to contract into the end of last year. There was little joy across the major components either, with all of them well below their long-term norms. Yes, new orders and employment were not quite as downbeat as in November. But persistent weakness in new orders over recent months, especially in relation to inventories, is not a good sign for sales nor production ahead. It all broadly fits with the clear decline we already expect for manufacturing GDP in Q4 with further slippage expected in Q1.

Employment

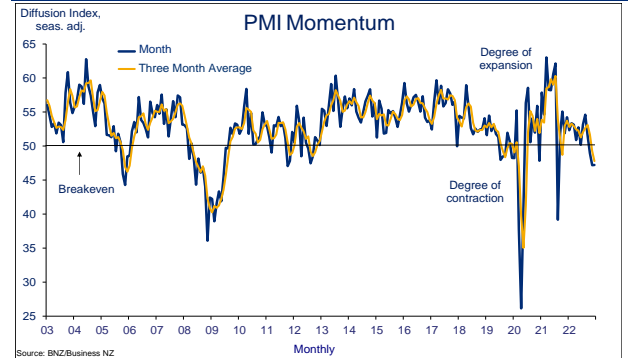
The PMI employment index edged up to 48.8 in December from 46.9 in November. However, this marks the third consecutive sub-50 reading. The lack of positive employment growth signals over recent times has been hindered by widespread difficulty in finding suitable staff. This remains the case for many manufacturers judging by PMI respondent comments this month. Compared to history, PMI employment – an indicator of employment outcomes – has been persistently lower than manufacturer's desire or intention to employ from surveys like the NZIER's Quarterly Survey of Business Opinion (QSBO). The relative tightness in the labour market is reflected in the PMI employment index not as far below its long-term average compared to similar gauges for the likes of production and new orders. However, with the recent broad cautionary tone of the PMI and the QSBO showing firmly net negative profitability expectations among manufacturers some softening in excess labour demand is to be expected.

Variable

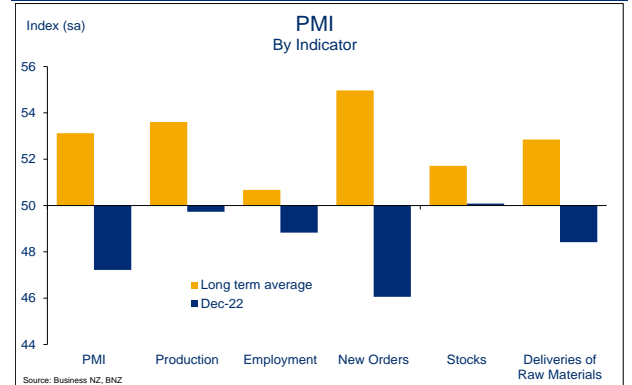
A host of strong cross currents continue to affect the general business environment generating significantly more variation across industries and regions than is usual. For example, the range across industry PMIs in December was more than double its long-term average while the range across region PMIs was not that far from double its norm. Among the regions, Northern remained the weakest of the majors in December as it has for three consecutive months, while Otago/Southland's unadjusted 55.3 PMI in December sees it as the only region above its 10-year average for this time of year, if only just.

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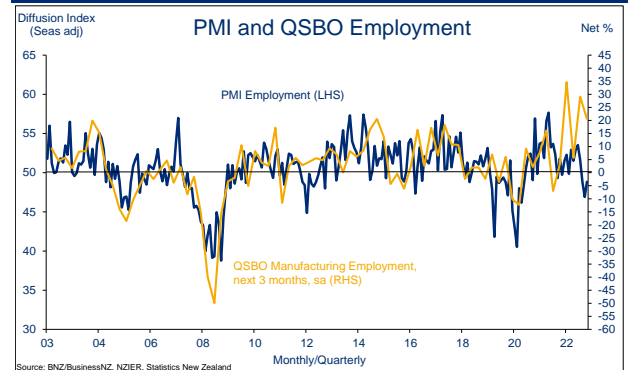
Just As Bad



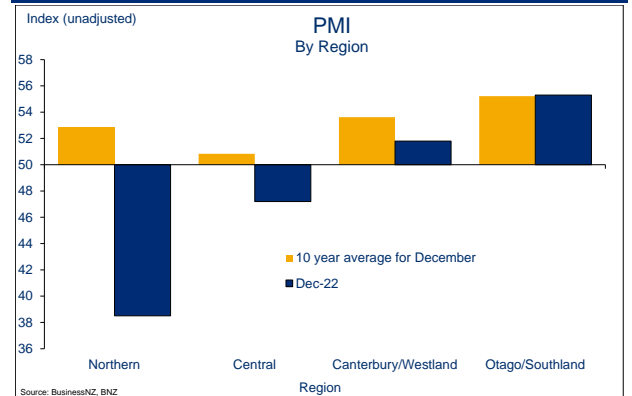
Below Average



Employment Intentions And Outcomes



Diverse



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