

BNZ – BUSINESSNZ PERFORMANCE OF MANUFACTURING INDEX

Stopping the Rot

16 Aug, 2024

44.0

July

+2.8

Monthly Change

Contracting

Slower Rate

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

The seasonally adjusted PMI for July was 44.0 (a PMI reading above 50.0 indicates that manufacturing is generally expanding; below 50.0 that it is declining). This was up from 41.2 in June, but still significantly below the long term average of 52.6. The sector has now been in contraction for 17 consecutive months.

BusinessNZ’s Director, Advocacy Catherine Beard said that while the July result showed some improvement from June, the numbers still told the story of a sector continuing to struggle.

“The key sub-index results for Production (43.4) and New Orders (42.5) both returned to figures above the 40-point activity level, although both still showing significant contraction. In contrast, Employment (43.1) continued to plunge further, as did Finished Stocks (46.5)”.

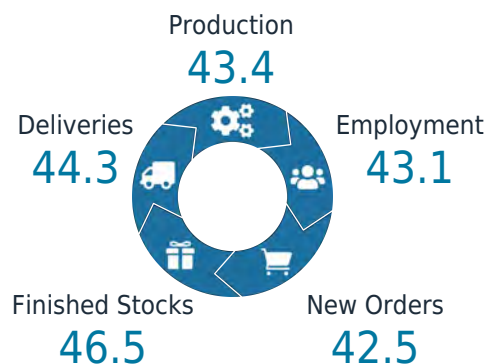
Given the relative improvement in activity for July, the proportion of negative comments stood at 71.1% in July, compared with 76.3% in June. Negative comments outlined a lack of orders, customers and sales continuing recent trends.

BNZ’s Senior Economist Doug Steel said that “manufacturing activity will turn when the broader economy turns. Easing monetary conditions will help in this regard, but it will take time for the likes of a lower OCR to generate a general pick up in sales”.

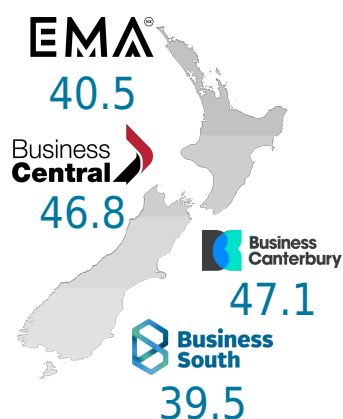


Catherine Beard
Director, Advocacy
BusinessNZ

Main Indices



Regional Results



[VIEW THE TIME SERIES DATA](#)



Manufacturing Snapshot

Still dreadful

Perhaps the best thing to be said about July's Performance of Manufacturing Index is that it was less bad than June's result. But June's 41.2 was dreadful. July's 44.0 is only a little less dreadful.

[Read more](#)

All below average

The full impact of the wholesale electricity price surge remains to be seen. But it is notable that the sharp margin compression for some of those exposed has appeared to threaten, or result in, output reduction much more so than pass through to selling prices.

[Read more](#)

Production, employment down; inventory too

An ongoing lack of demand has seen the PMI production index post its 18th consecutive month below 50. The PMI employment index slipped again, to 43.1, indicating further reduction in manufacturing employment and/or paid hours into Q3.

[Read more](#)



Doug Steel
Senior Economist, BNZ
[+64 4 474 6923](tel:+6444746923)

[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 | Jul 2023 | Mar 2024 | Apr 2024 | May 2024 | Jun 2024 | Jul 2024 |
|----------------------|----------|----------|----------|----------|----------|----------|
| BNZ - BusinessNZ PMI | 46.2 | 46.6 | 48.5 | 46.6 | 41.2 | 44.0 |
| Production | 43.6 | 45.7 | 49.8 | 43.7 | 35.7 | 43.4 |
| Employment | 45.4 | 46.7 | 50.5 | 50.0 | 44.0 | 43.1 |
| New Orders | 45.2 | 44.5 | 45.0 | 44.0 | 39.0 | 42.5 |
| Finished Stocks | 52.9 | 49.6 | 50.6 | 52.1 | 47.7 | 46.5 |
| Deliveries | 43.7 | 47.3 | 47.9 | 44.9 | 44.8 | 44.3 |

[VIEW THE TIME SERIES DATA](#)

BNZ - BusinessNZ PMI Time Series

January 2020 - July 2024

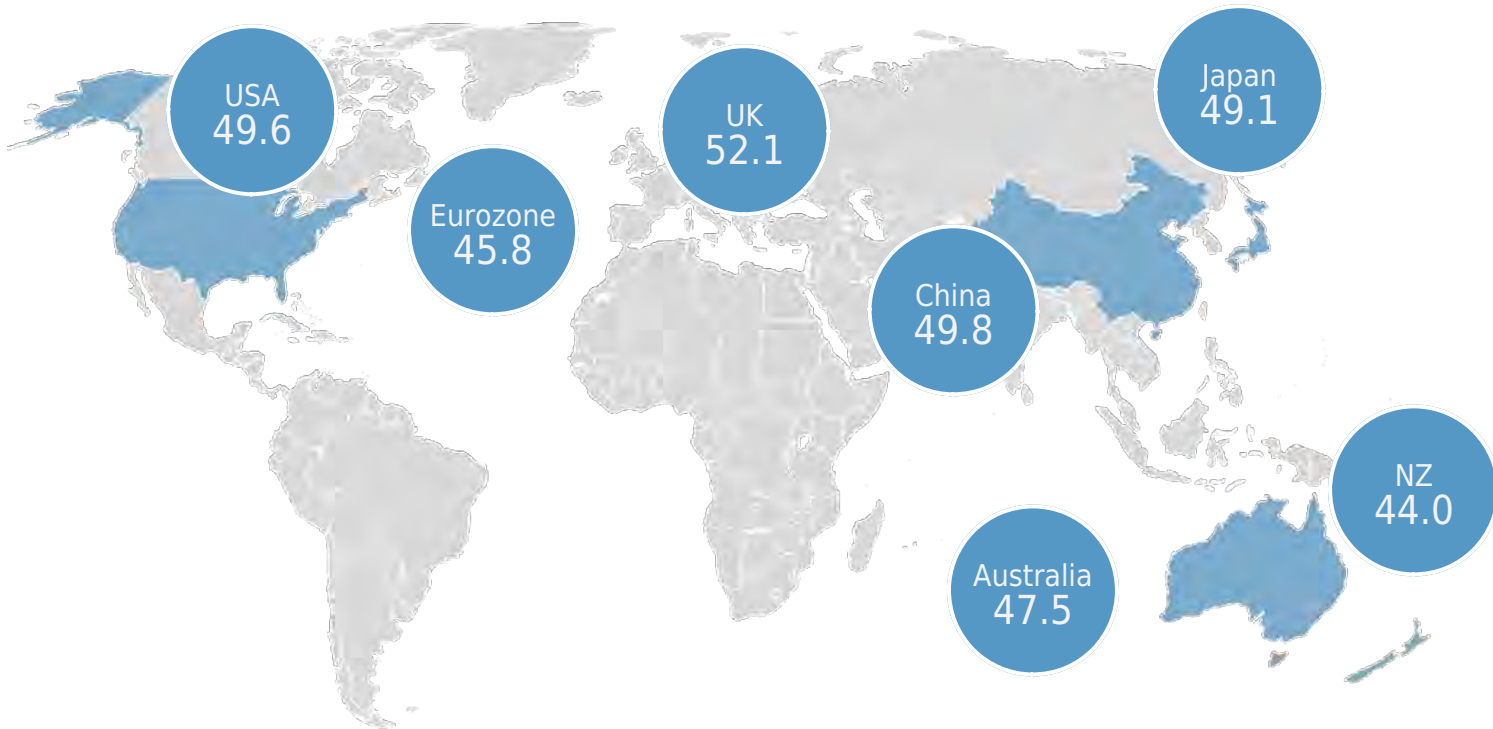


International Results

J.P. Morgan Global Manufacturing PMI™

01 Aug 2024

49.7



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.

Media Comment

For media comment, contact:
Catherine Beard: 04 496 6560

Technical Comment

For more information or assistance with data interpretation, contact:

Stephen Summers:
ssummers@businessnz.org.nz

Our Contributors

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



Manufacturing Snapshot

16 August 2024

Still dreadful

Perhaps the best thing to be said about July's Performance of Manufacturing Index is that it was less bad than June's result. But June's 41.2 was dreadful. July's 44.0 is only a little less dreadful. Both speak to a manufacturing sector firmly in reverse and under significant duress. Our economic forecasts already include manufacturing GDP contracting in both Q2 and Q3, which would extend an already lengthy period of contraction. The latest PMI readings, further recent falls in the likes of building consents, and elevated wholesale electricity prices curtailing some activity simply increase the chance of a larger drop in output than we already anticipate.

All below average

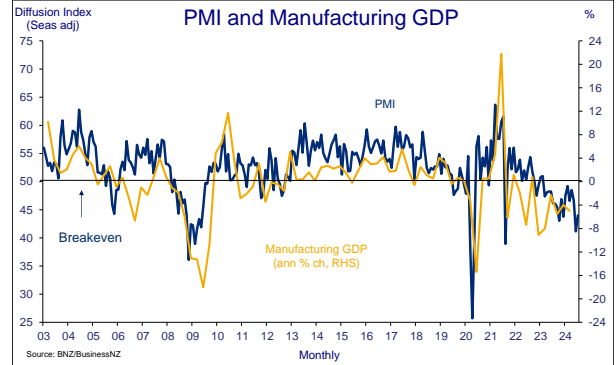
The full impact of the wholesale electricity price surge remains to be seen. But it is notable that the sharp margin compression for some of those exposed has appeared to threaten, or result in, output reduction much more so than pass through to selling prices. It looks like a bigger hit to output (and associated exports) rather than general prices at this point. Energy issues (gas scarcity included) come on top of broad-based demand weakness being reported by manufacturers. The PMI new orders index was 42.5 in July. That was a smidge higher than June's 39.0 but, aside from the first Covid lockdown, those two months represent the lowest and second lowest new order readings since the GFC back in 2008/09. While all major PMI components are well below their long-term averages, the new orders index shows the biggest deviation at a massive 11.7 index points.

Production, employment down; inventory too

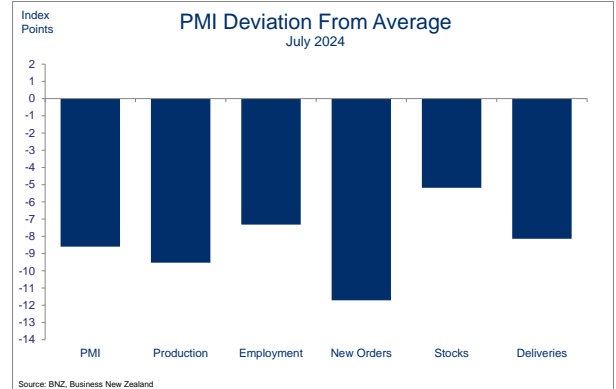
An ongoing lack of demand has seen the PMI production index post its 18th consecutive month below 50. The PMI employment index slipped again, to 43.1, indicating further reduction in manufacturing employment and/or paid hours into Q3. And a general sense of destocking continued in July, which, if there is any positive within the gloom, suggests scope for production to pick up upon a turn in demand. Manufacturing activity will turn when the broader economy turns. Easing monetary conditions will help in this regard, but it will take time for the likes of a lower OCR to generate a general pick up in sales. But with the Reserve Bank underway in starting to remove monetary restraint, and with expectations of further OCR cuts ahead, it will likely lift manufacturers' optimism that a turn in demand is indeed ahead.

doug_steel@bnz.co.nz

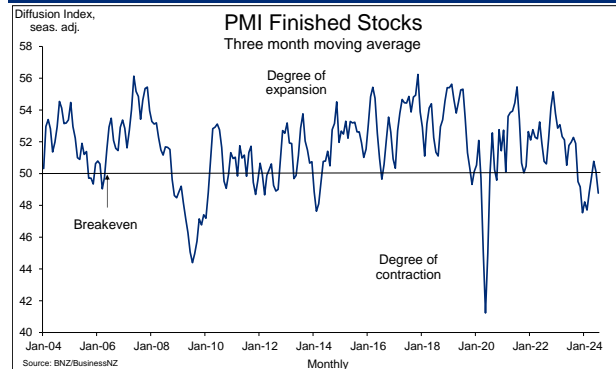
Gloom continues



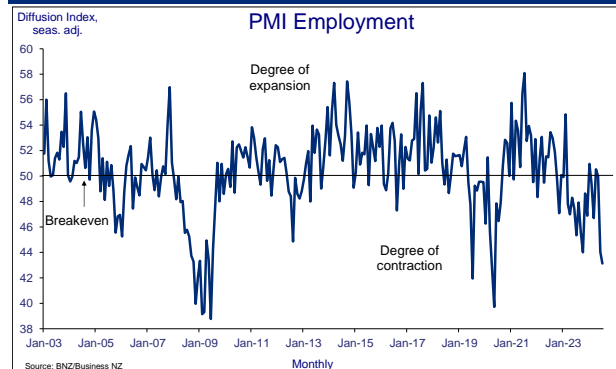
Nothing like normal



More destocking



Sharp reduction



Contact Details

BNZ Research

Stephen Toplis
Head of Research

Doug Steel
Senior Economist

Jason Wong
Senior Markets Strategist

Stuart Ritson
Senior Interest Rate Strategist

Mike Jones
BNZ Chief Economist

Main Offices

Wellington
Level 2, BNZ Place
1 Whitmore St
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland
80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch
111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.