

# BNZ – BUSINESSNZ PERFORMANCE OF MANUFACTURING INDEX

## Freefall

12 Jul, 2024

**41.1**

June

**-5.5**

Monthly Change

**Contracting**

Faster Rate

Activity in New Zealand’s manufacturing sector dropped to its third lowest value for a non-COVID lockdown month, according to the latest BNZ – BusinessNZ Performance of Manufacturing Index (PMI).

The seasonally adjusted PMI for June was 41.1 (a PMI reading above 50.0 indicates that manufacturing is generally expanding; below 50.0 that it is declining). This was down from 46.6 in May, and significantly below the long term average of 52.6. It was the lowest non-COVID lockdown monthly level of activity since February 2009.

BusinessNZ’s Director, Advocacy Catherine Beard said that the freefall in activity from May to June was a major concern for a sector that had already been stuck in contraction for the past 15 months.

“The key sub-index results for Production (35.4) and New Orders (38.8) both posted sub-40 activity levels, which were the lowest for a non-COVID lockdown month since November 2008. Employment (43.8) dropped back to its lowest non-COVID monthly result since July 2019, while Deliveries (44.9) remained unchanged from May”.

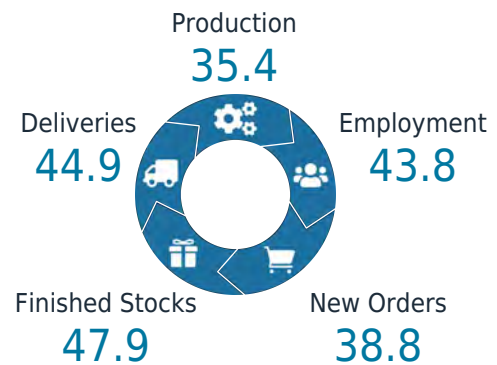
Given the swift drop in activity for June, the proportion of negative comments stood at 76.3%, which was up from 63.5% in May and 69% in April. Negative comments focused heavily on an overall slowdown and tough recessionary times.

BNZ’s Head of Research Stephen Toplis said that “while the weakness in these series have not been as deep as during the GFC the length of it has been longer, and it is not over yet. Manufacturing activity is highly leveraged to domestic demand, particularly residential construction and household spending. Both of these are faltering”.

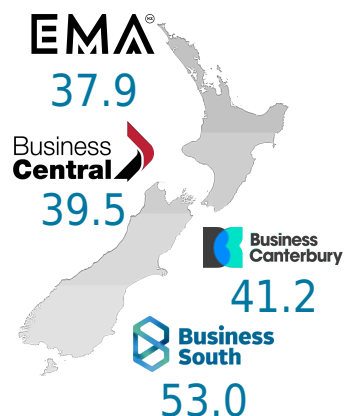


**Catherine Beard**  
Director, Advocacy  
BusinessNZ

### Main Indices



### Regional Results



[VIEW THE TIME SERIES DATA](#)



## Manufacturing Snapshot

### In recession

The manufacturing PMI has now been below 50 for 16 consecutive quarters. As if this isn't bad enough forward orders have been sub-50 for 22 consecutive quarters suggesting further declines in output lie ahead.

[Read more](#)

### Construction under pressure

According to New Zealand's national accounts residential construction has contracted in each of the last six quarters. Total activity as at the March quarter 2024 was 10.4% below where it was in September 2022 and 13.8% below its March 2021 COVID peak.

[Read more](#)

### QSBO equally weak

NZIER's June Quarterly Survey of Business Opinion, not surprisingly, paints a very similar very weak picture for the manufacturing sector. Manufacturers reported that both actual and expected sales are in decline.

[Read more](#)

### Hang in there!

Manufacturing activity will turn when the broader economy turns. Alas we do not think that will happen any time soon. Ultimately the trigger for that will be an easing in monetary policy.

[Read more](#)



Stephen Toplis  
Head of Research, BNZ  
[+64 4 474 6905](tel:+6444746905)

[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

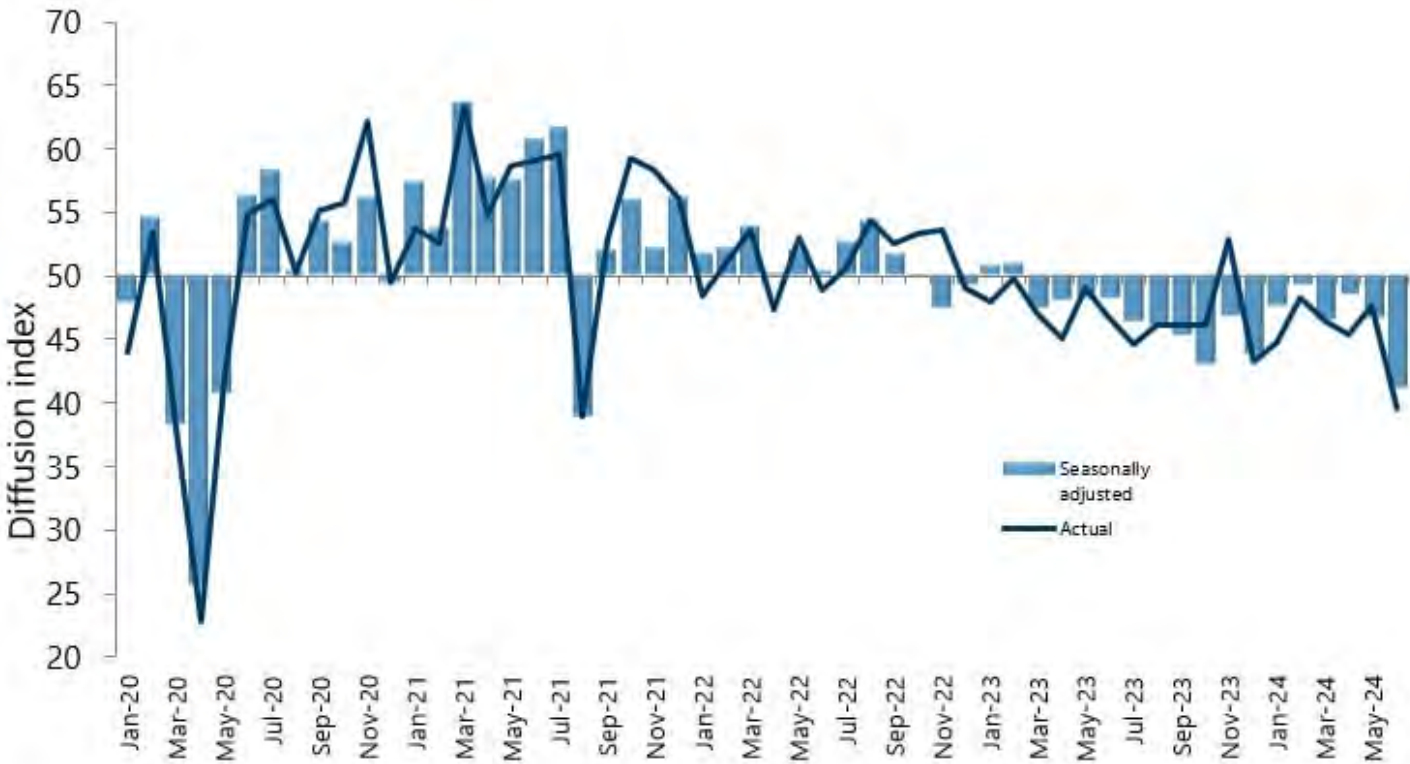
The results are seasonally adjusted.

National Indices	Jun 2023	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024
BNZ - BusinessNZ PMI	48.2	49.2	46.6	48.5	46.6	41.1
Production	47.8	49.2	45.7	49.9	44.0	35.4
Employment	47.3	49.5	46.8	50.7	50.4	43.8
New Orders	45.4	47.6	44.5	45.0	43.9	38.8
Finished Stocks	52.5	49.1	49.7	50.6	52.3	47.9
Deliveries	50.0	51.1	47.4	48.0	44.9	44.9

[VIEW THE TIME SERIES DATA](#)

## BNZ - BusinessNZ PMI Time Series

January 2020 - June 2024



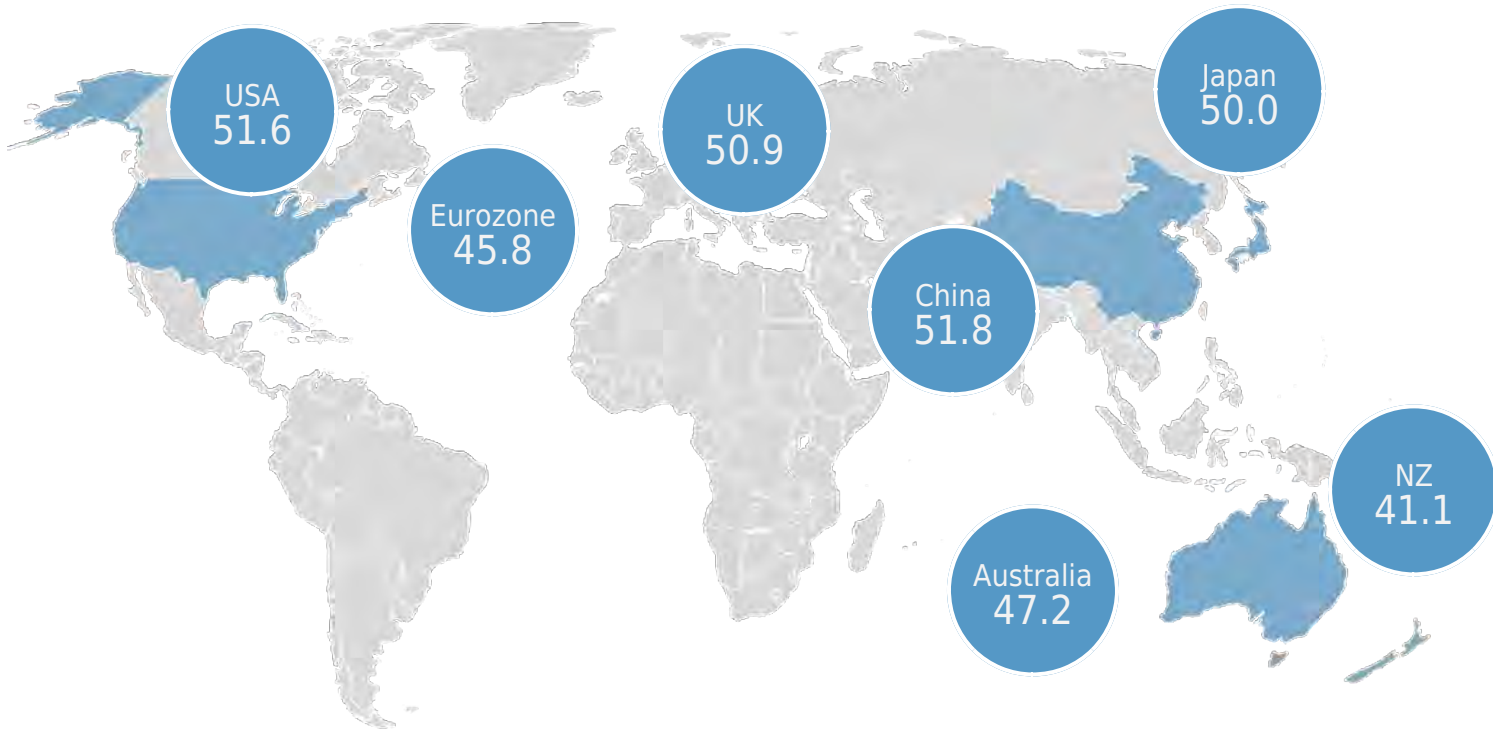


# International Results

J.P. Morgan Global Manufacturing PMI™

01 Jul 2024

# 50.9



## 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](mailto:ssummers@businessnz.org.nz)

## Our Contributors

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



# Manufacturing Snapshot

12 July 2024

## In recession

The manufacturing PMI has now been below 50 for 16 consecutive quarters. As if this isn't bad enough forward orders have been sub-50 for 22 consecutive quarters suggesting further declines in output lie ahead. Indeed, if anything, the weakness appears to be deepening with June readings for four of the five PMI sub-indices falling precipitously from May's already suppressed levels. While the weakness in these series has not been as deep as during the GFC the length of it has been longer, and it's not over yet. Manufacturing activity is highly leveraged to domestic demand, particularly residential construction and household spending. Both of these are faltering.

## Construction under pressure

According to New Zealand's national accounts residential construction has contracted in each of the last six quarters. Total activity as at the March quarter 2024 was 10.4% below where it was in September 2022 and 13.8% below its March 2021 COVID peak. Non-residential construction has fared better but is still up only 1.7% on year earlier levels. Further weakness in both residential and non-residential construction is expected. Meanwhile household spending has been hammered. Ex-auto real retail sales have fallen 6.6% over the last nine quarters.

## QSBO equally weak

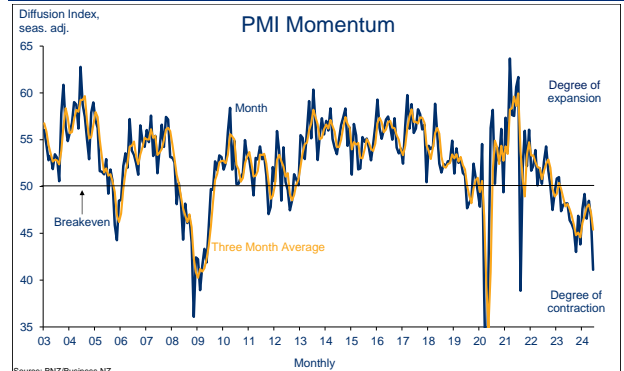
NZIER's June Quarterly Survey of Business Opinion, not surprisingly, paints a very similar very weak picture for the manufacturing sector. Manufacturers reported that both actual and expected sales are in decline. It will come as no surprise to anyone in the sector that the drop in sales accompanied by ongoing cost increases is taking a toll on profits. Staggeringly, a net 73% of manufacturers said that profits were in decline. This is the worst reading in the history of this series which dates back to 1969! Given the parlous state of the sector at the moment it looks like staff are starting to get laid off and the process will accelerate. A net 39% of respondents said they will be laying off staff - the worst reading since the GFC.

## Hang in there!

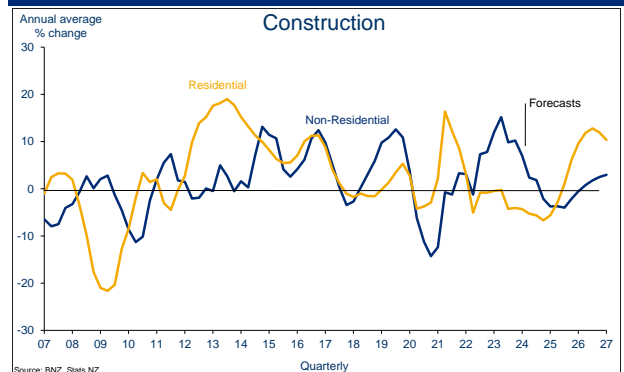
Manufacturing activity will turn when the broader economy turns. Alas we do not think that will happen any time soon. Ultimately the trigger for that will be an easing in monetary policy. For now the Reserve Bank is reluctant to release the hand brake but we are convinced that the time will come by early in the New Year at the latest.

[stephen\\_toplis@bnz.co.nz](mailto:stephen_toplis@bnz.co.nz)

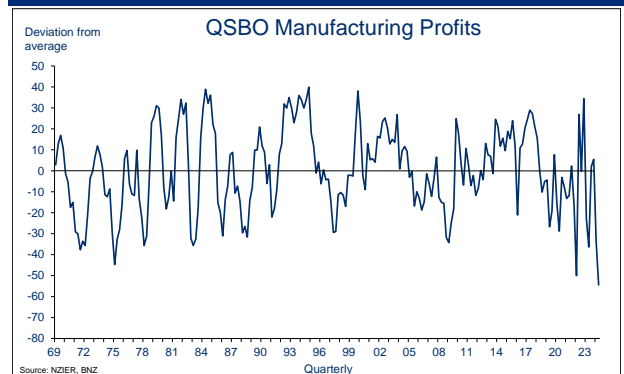
### More gloom and doom



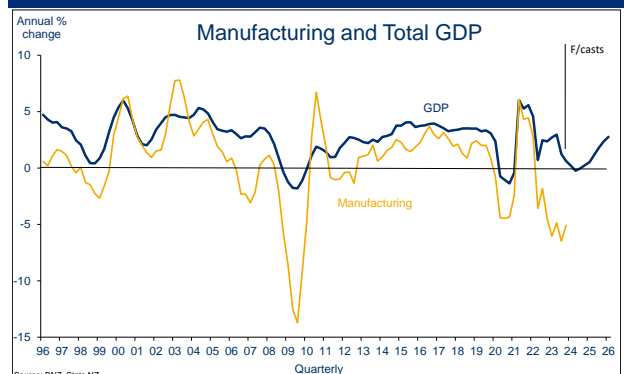
### Construction struggling



### Profits hammered



### The darkest hour?



# 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

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