

BNZ – BUSINESSNZ PERFORMANCE OF MANUFACTURING INDEX

Lack of orders

14 Jun, 2024

47.2

May

-1.6

Monthly Change

Contracting

Faster Rate

Activity in New Zealand’s manufacturing sector experienced a drop in May and ongoing contraction of the sector, according to the latest BNZ – BusinessNZ Performance of Manufacturing Index (PMI).

The seasonally adjusted PMI for May was 47.2 (a PMI reading above 50.0 indicates that manufacturing is generally expanding; below 50.0 that it is declining). This was down from 48.8 in April, and means the sector has now been in contraction for 15 consecutive months.

BusinessNZ’s Director, Advocacy Catherine Beard said that there was little in the May result to signal a positive turnaround in the sector is coming soon.

“The key sub-index result of New Orders (44.4) remains stubbornly in contraction, and a clear impediment to overall expansion in the sector. To put this into perspective, during the Global Financial Crisis of 2008/09 New Orders remained in contraction for 14 consecutive months. The current results are now a third more than that with New Orders now in contraction for 21 consecutive months. Production (44.5) reverted back to current trends after a surprise expansion in April, although Employment (50.6) did remain in expansion following the expansionary April result.

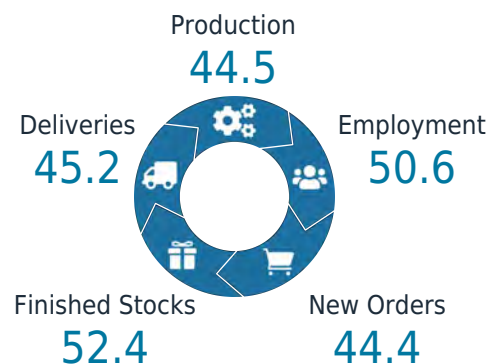
Despite the dip in the May result, the proportion of negative comments stood at 63.5%, which was down from 69% in April and 65% in March. The vast majority of negative comments focused on a general slowdown and the tough recessionary times at present”.

BNZ’s Senior Economist Doug Steel said that “PMI readings to date this year are consistent with falling manufacturing GDP. We anticipate next week’s Q1 GDP figures to include a contraction in the manufacturing component. The latest PMI indicators suggests Q2 will also be weak and potentially weaker than we already anticipate”.

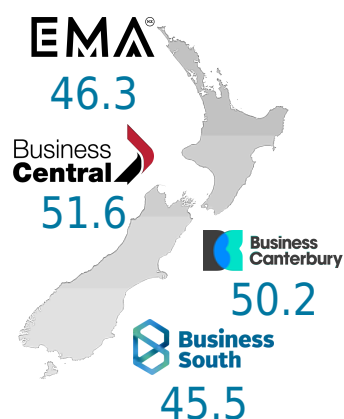


Catherine Beard
Director, Advocacy
BusinessNZ

Main Indices



Regional Results



[VIEW THE TIME SERIES DATA](#)



Manufacturing Snapshot

Still no joy

Not since February last year has the Performance of Manufacturing Index (PMI) been above the breakeven 50 mark. There was still no joy in May this year, with the PMI easing to 47.2 from April's 48.8. It marks 15 months of contraction.

[Read more](#)

Unhelpful mix of ups and downs

The only PMI sub index to lift in May was inventory. The combination of weak new orders and rising inventory is not a good look for production ahead.

[Read more](#)

Lower sales and output

Weak PMI new orders and production point to further declines in official measures of manufacturing sales and GDP. Last week Stats NZ's data saw a 4.5% drop in core manufacturing sales volumes in the first quarter compared to a year ago.

[Read more](#)

Holding on

The PMI employment index at 50.6 is consistent with broadly flat employment in the sector. Since the PMI survey started in 2002, the difference between new orders and employment has never been more negative than now (besides during the first covid lockdown).

[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 Indicies	May 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024
BNZ - BusinessNZ PMI	48.7	47.5	49.1	46.7	48.8	47.2
Production	46.4	43.0	49.2	45.8	50.3	44.5
Employment	48.9	50.9	49.4	46.8	50.9	50.6
New Orders	49.6	47.9	47.6	44.7	45.4	44.4
Finished Stocks	51.0	47.7	49.1	49.7	50.7	52.4
Deliveries	46.1	49.7	51.0	47.5	48.1	45.2

[VIEW THE TIME SERIES DATA](#)

BNZ - BusinessNZ PMI Time Series

January 2019 - May 2024

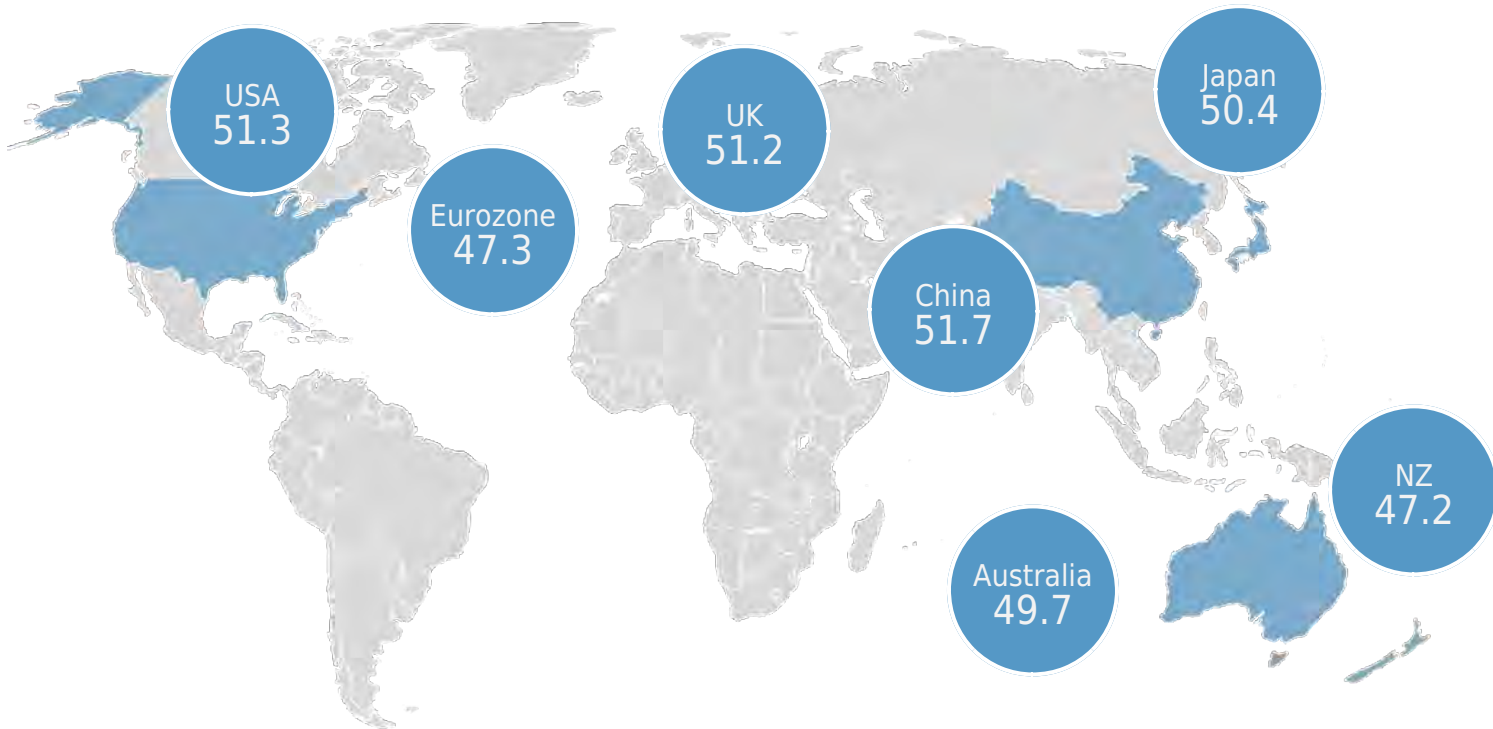


International Results

J.P. Morgan Global Manufacturing PMI™

03 Jun 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.

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



Manufacturing Snapshot

14 June 2024

Still no joy

Not since February last year has the Performance of Manufacturing Index (PMI) been above the breakeven 50 mark. There was still no joy in May this year, with the PMI easing to 47.2 from April's 48.8. It marks 15 months of contraction. Demand softening has looked increasingly aggressive over recent months. New orders are weak and getting weaker, with the index easing further to 44.4 in May. Not only is this all but 10 index points lower than its long-term average of 54.3, but on a three 3-month average basis the new orders index has slumped to its lowest level since mid-2009 (abstracting from the first covid lockdown).

Unhelpful mix of ups and downs

The only PMI sub index to lift in May was inventory. The combination of weak new orders and rising inventory is not a good look for production ahead. No surprise then to see the PMI production index showing contraction, sitting at a soft 44.5. This follows the briefest look above 50 in April, which we thought at the time likely reflected the timing of Easter this year rather than any underlying improvement. May's PMI results back that theory.

Lower sales and output

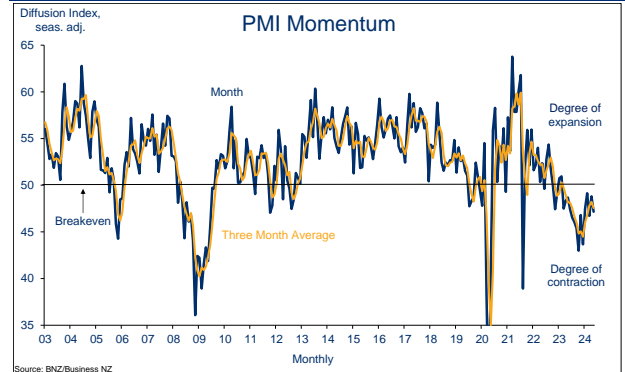
Weak PMI new orders and production point to further declines in official measures of manufacturing sales and GDP. Last week Stats NZ's data saw a 4.5% drop in core manufacturing sales volumes in the first quarter compared to a year ago. Today's PMI results suggest annual sales volume growth is tracking at least as weak as that into the second quarter. In a similar fashion, PMI readings to date this year are consistent with falling manufacturing GDP. We anticipate next week's Q1 GDP figures to include a contraction in the manufacturing component. The latest PMI indicators suggests Q2 will also be weak and potentially weaker than we already anticipate.

Holding on

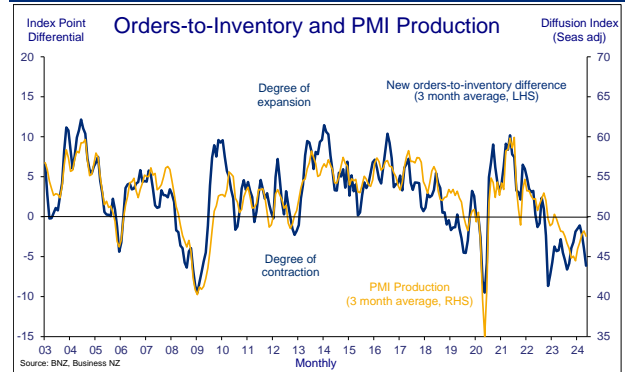
The PMI employment index at 50.6 is consistent with broadly flat employment in the sector. Since the PMI survey started in 2002, the difference between new orders and employment has never been more negative than now (besides during the first covid lockdown). It looks like labour hoarding, as firms try and ride out the current weakness in sales. We interpret the latest change in balance as intensifying cyclical weakness rather than a drop in trend productivity. The difference is important for thinking about any potential monetary policy response.

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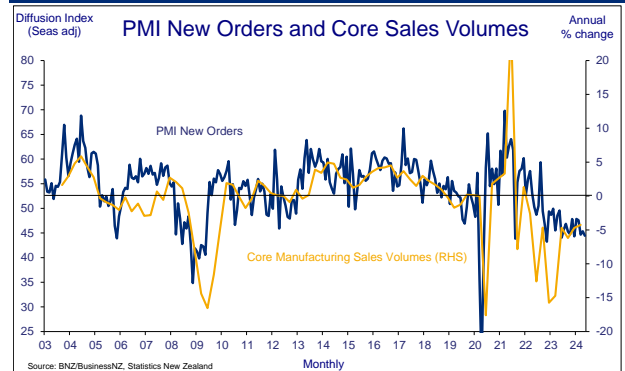
Weakness persists



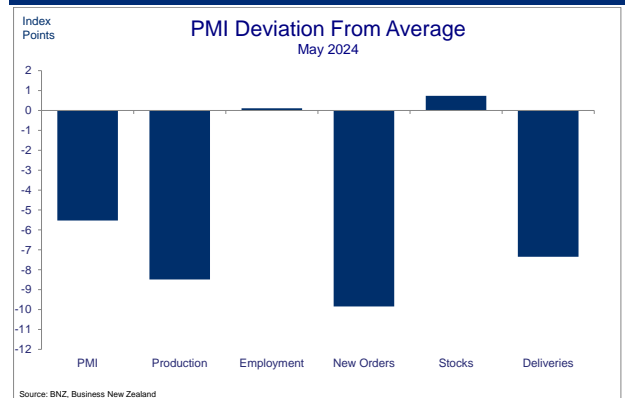
Not a good look



Sales retreating



Employment holding up



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