

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”.

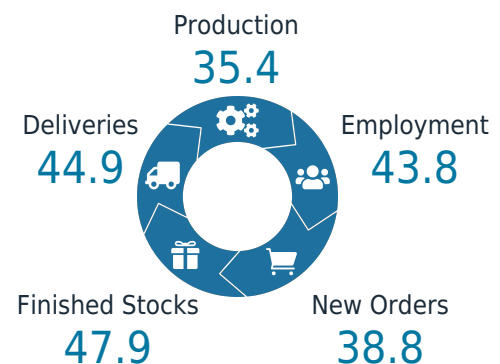
Given the swift drop in activity for June, the proportion of negative comments stood at 76.3%, which was up from 63.5% in May and 69% in April. Negative comments focused heavily on an overall slowdown and tough recessionary times.

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”.

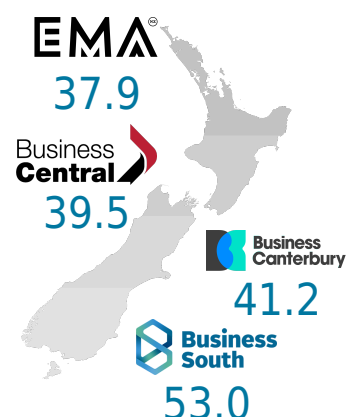


Catherine Beard
Director, Advocacy
BusinessNZ

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

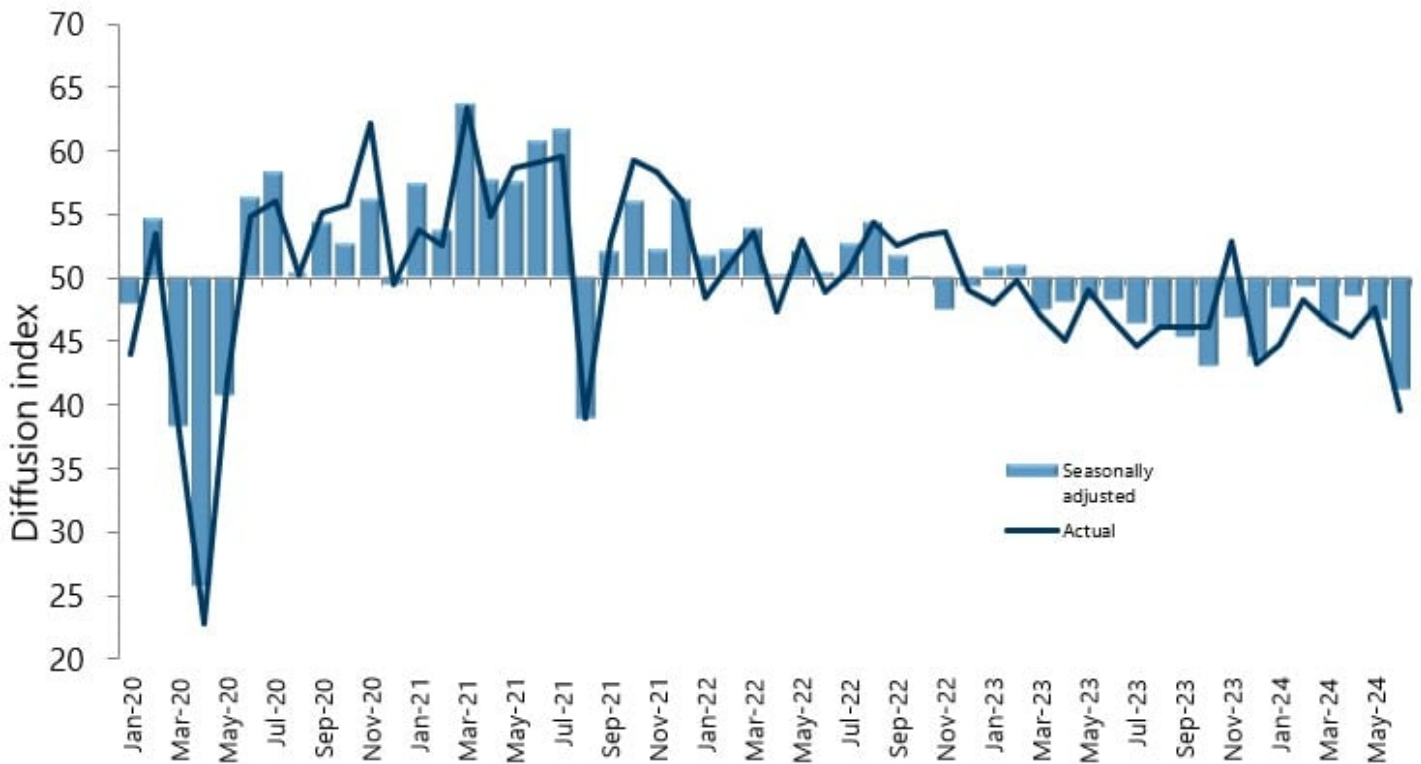
The results are seasonally adjusted.

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

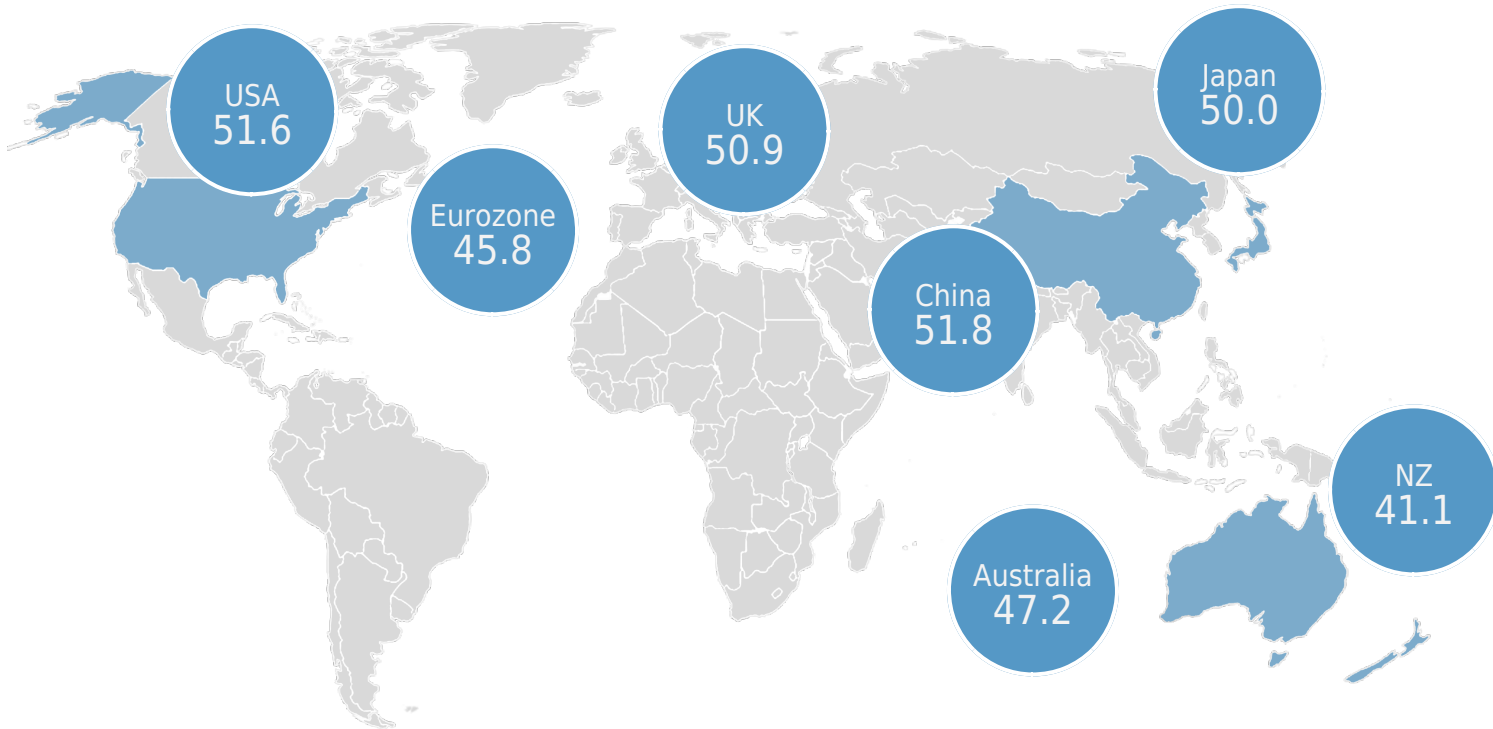


International Results

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

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

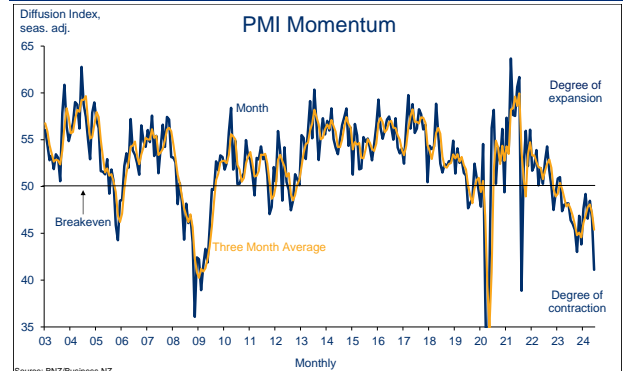
NZIER's June Quarterly Survey of Business Opinion, not surprisingly, paints a very similar very weak picture for the manufacturing sector. Manufacturers reported that both actual and expected sales are in decline. It will come as no surprise to anyone in the sector that the drop in sales accompanied 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!

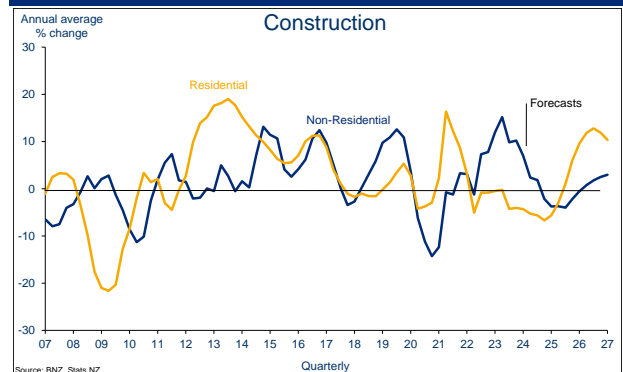
Manufacturing activity will turn when the broader economy turns. Alas we do not think that will happen any time soon. Ultimately the trigger for that will be an easing in monetary policy. The Reserve Bank has so far been reluctant to release the hand brake, but we are increasingly confident we'll see interest rates lowered before the year is out.

stephen_toplis@bnz.co.nz

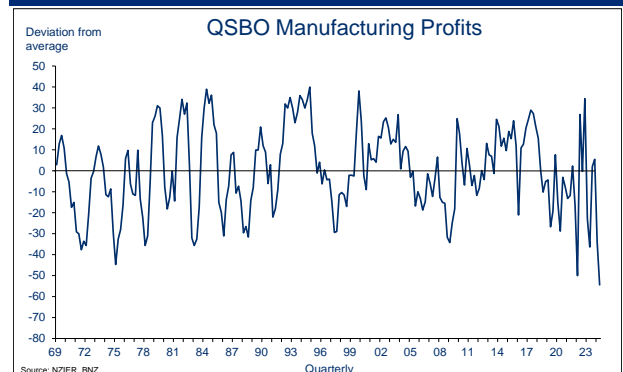
More gloom and doom



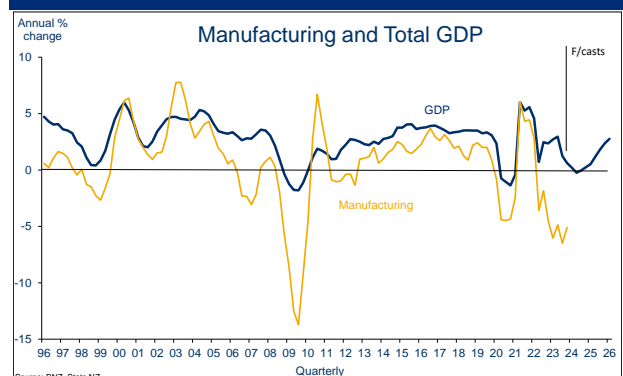
Construction struggling



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

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.