

BNZ - BUSINESSNZ PERFORMANCE OF MANUFACTURING INDEX

bnz

BusinessNZ
CROWING PROSPERITY AND POTENTIAL

40.1

August Value

-22.1

Monthly Change

contracting

Previously expanding

Back to the future

17 September 2021

New Zealand's manufacturing sector returned to contraction on the back of another nationwide lockdown, according to the latest BNZ - BusinessNZ Performance of Manufacturing Index (PMI).

The seasonally adjusted PMI for August was 40.1 (a PMI reading above 50.0 indicates that manufacturing is generally expanding; below 50.0 that it is declining). This was 22.1 points lower than July, and similar to the result recorded in May 2020.

BusinessNZ's executive director for manufacturing Catherine Beard said that the August value came as no surprise given what we had seen during the previous national lockdown.



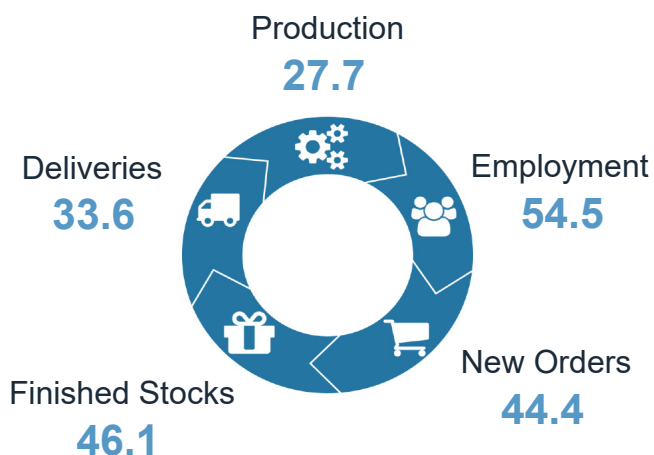
Catherine Beard
Executive Director
ManufacturingNZ

"Employment (54.5) managed to keep its head above water, but all other sub-index values were in contraction with Production (27.7) the hardest hit. Although manufacturers outside of Auckland have returned to alert levels that allow business operations to restart, any moves towards the sector getting back into expansion will ultimately depend on how soon Auckland can also return to lower alert levels".

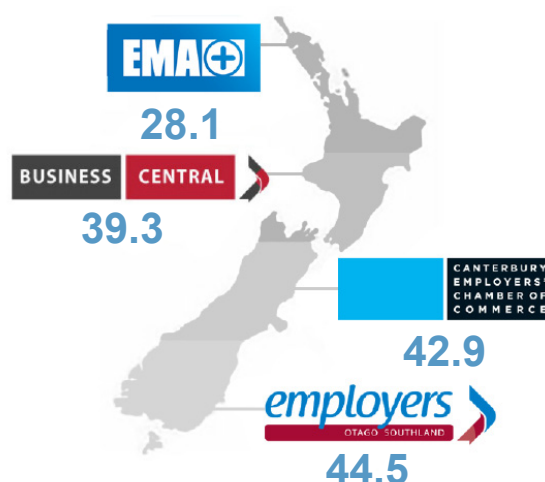
BNZ Senior Economist, Doug Steel stated that "while many anticipate a bounce in activity as the country progresses down alert levels (all going well on the Covid front), today's PMI clearly demonstrates the economic pain being felt. This should not be underestimated, even if there is hope for the future. GDP and manufacturing output are expected to fall heavily in Q3. It is something of a reality check in the afterglow of yesterday's very strong Q2 GDP outcome."

[View PMI Time Series Data](#)

Main Indices



Regional Results



Manufacturing Snapshot



Shutdown Pain, Some Hope

Everybody knew that economic activity was going to suffer when the country entered another Covid alert level 4 lockdown in mid-August. It is now about assessing the degree of damage as more indicators come in. On cue, the Performance of Manufacturing Index (PMI) slumped to 40.1 in the month from a very strong 62.2 in July. That represents real pain, with the production component unsurprisingly falling the most, to a dreadful 27.7. For many, production stops in lockdown. Granted, at 40.1, the MI is not as low as the extremes it got to in last year's level 4 lockdown (26.0). However, it is in the vicinity of results around that time. Even more so, regards the production component and considering only about half of August 2021 was lockdown affected



Doug Steel
Senior Economist

[Read more →](#)

[View full BNZ Manufacturing Snapshot](#)

PMI Time Series Table

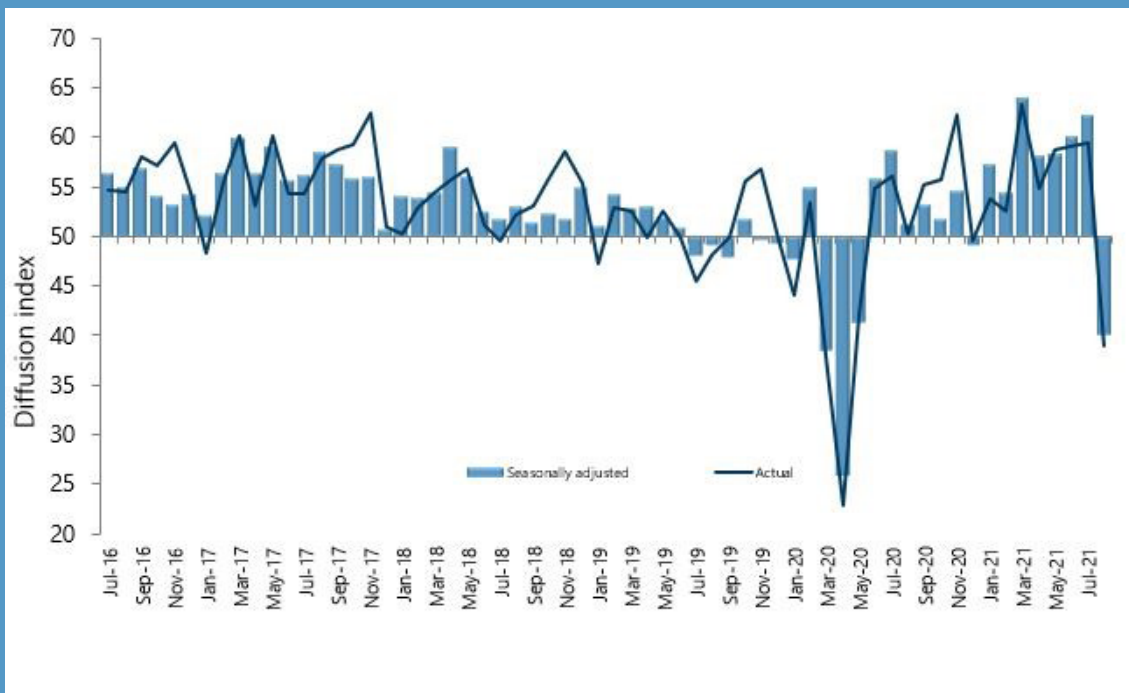
Results are seasonally adjusted

National Indices	Aug 2020	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021
BNZ - BusinessNZ PMI	51.4	58.1	58.5	60.1	62.2	40.1
Production	53.0	63.6	64.7	63.0	63.9	27.7
Employment	49.4	53.0	52.4	56.5	57.9	54.5
New Orders	54.9	60.9	63.5	62.9	63.7	44.4
Finished Stocks	50.3	55.0	53.4	57.2	56.8	46.1
Deliveries	48.9	52.9	53.6	54.4	56.3	33.6

[View PMI Time Series Data](#)

BNZ - BusinessNZ PMI Time Series

July 2016 - August 2021

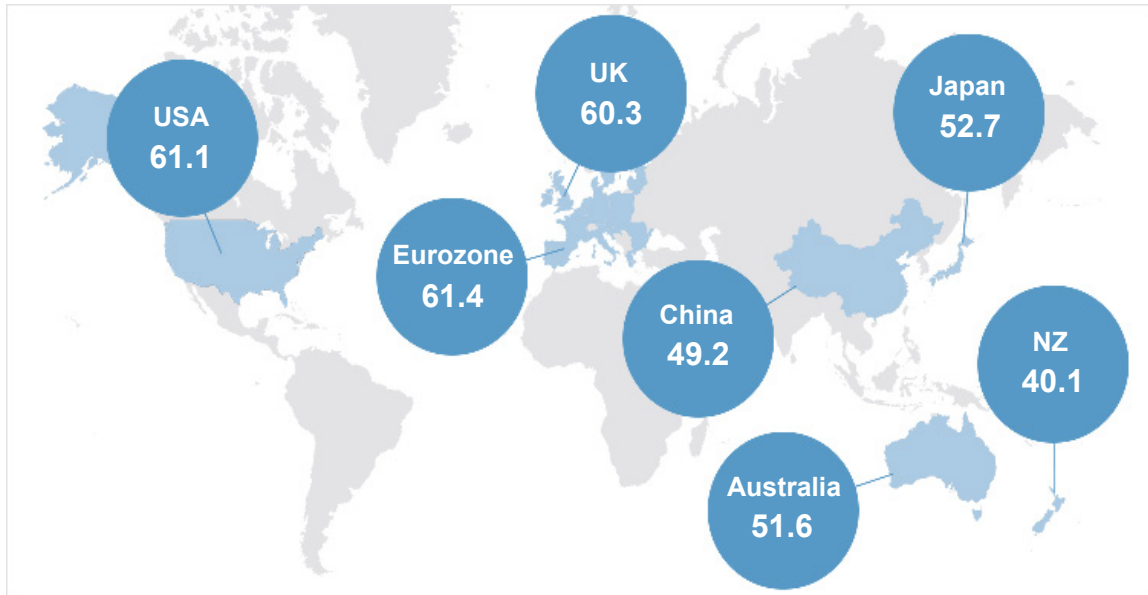


International Results

J.P. Morgan Global Manufacturing PMI™

1 September 2021

54.1



Sponsor Statement

BNZ is delighted to be associated with the Performance of Manufacturing Index (PMI) and BusinessNZ.

The 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.



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Manufacturing Snapshot

17 September 2021



Shutdown Pain, Some Hope

Everybody knew that economic activity was going to suffer when the country entered another Covid alert level 4 lockdown in mid-August. It is now about assessing the degree of damage as more indicators come in. On cue, the Performance of Manufacturing Index (PMI) slumped to 40.1 in the month from a very strong 62.2 in July. That represents real pain, with the production component unsurprisingly falling the most, to a dreadful 27.7. For many, production stops in lockdown. Granted, at 40.1, the PMI is not as low as the extremes it got to in last year's level 4 lockdown (26.0). However, it is in the vicinity of results around that time. Even more so, regards the production component and considering only about half of August 2021 was lockdown affected.

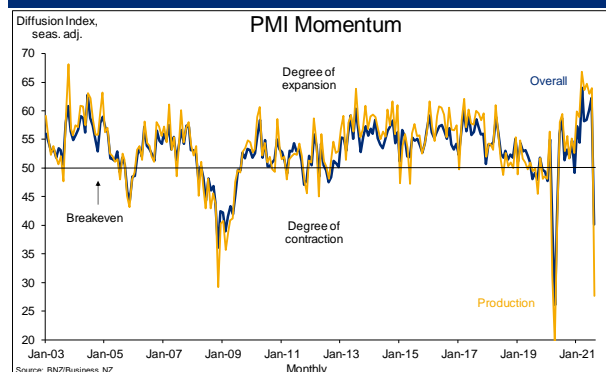
The PMI is based on a survey of business outcomes – not expectations. This is different to other surveys, especially those forward-looking and confidence-type gauges, that, to date, have held up reasonably well – at least compared to the previous level 4 lockdown. While many anticipate a bounce in activity as the country progresses down alert levels (all going well on the Covid front), today's PMI clearly demonstrates the economic pain being felt. This should not be underestimated, even if there is hope for the future. GDP and manufacturing output are expected to fall heavily in Q3. It is something of a reality check in the afterglow of yesterday's very strong Q2 GDP outcome.

Unsurprisingly, references to Covid and lockdown dominated PMI respondent negative comments. But supply side issues also remain prevalent such as border and shipping issues, along with rising costs, and labour and raw material shortages. These are widespread issues but there was additional comment this month from those outside Auckland noting challenges in getting raw material supplies from within Auckland. The Northern region had the lowest PMI reading (28.1 unadjusted) across areas, but all major regions were well below the breakeven 50 mark.

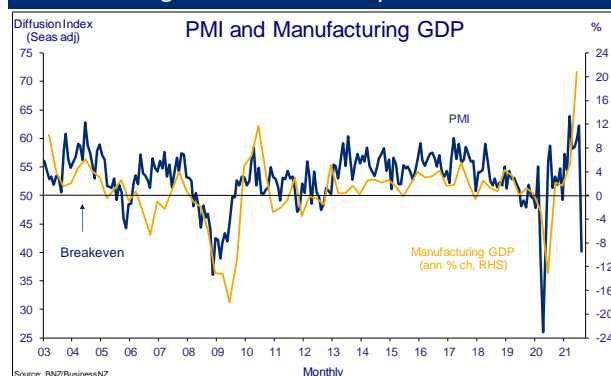
Employment was a clear bright spot in August's PMI. It's 54.5 reading stands tall amid widespread weakness and is remarkably above long-term norms. Only time will tell if it can stay that way. We suspect the employment resilience reflects firms' optimism that activity will improve as restrictions ease, a reluctance to let people go given how difficult it has been to find staff prior to lockdown, and the Government's wage subsidy providing many with a financial bridge. As it stands, all this suggests the official employment and unemployment readings for Q3 might look better than some might think. But even if so, hours worked will surely still drop significantly.

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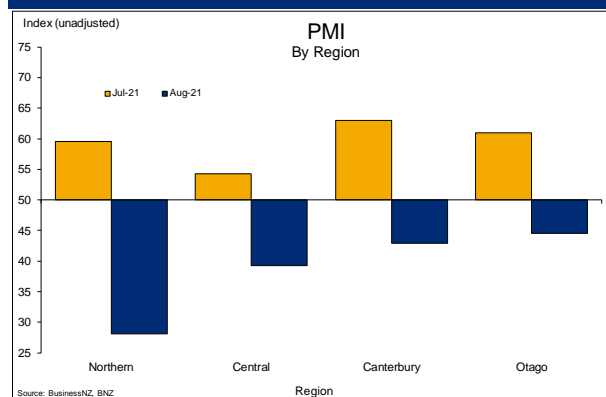
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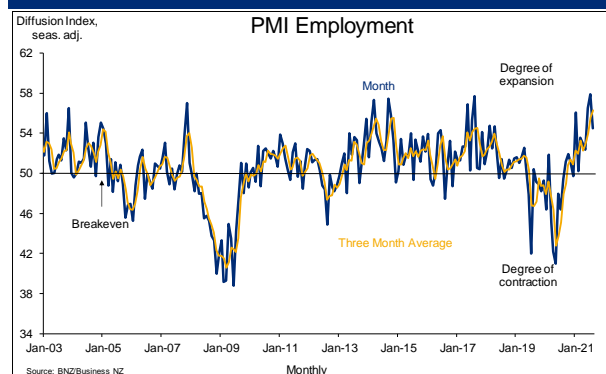
Manufacturing GDP To Fall Heavily In Q3



Pain From North To South



Resilience



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