

BNZ - BUSINESSNZ PERFORMANCE OF MANUFACTURING INDEX

bnz

BusinessNZ
CROWING PROSPERITY AND POTENTIAL

50.6

November Value

-3.6

Monthly Change

expanding

Slower rate

Ups and downs

10 December 2021

New Zealand's manufacturing sector saw a lower level of expansion for November, according to the latest BNZ - BusinessNZ Performance of Manufacturing Index (PMI).

The seasonally adjusted PMI for November was 50.6 (a PMI reading above 50.0 indicates that manufacturing is generally expanding; below 50.0 that it is declining). This was 3.6 points lower than October.

BusinessNZ's Director, Advocacy Catherine Beard said that the up and down nature of the key sub-indices that make up the overall result shows that the sector has some way to go to get back to what we saw during the first half of 2021.

"New Orders (54.7) has remained very consistent over the last three months. Production (52.2), while positive, has remained somewhat lacklustre. Employment (48.2) fell back into contraction for the first time since December 2020, while Finished Stocks (48.3) and Deliveries (42.9) both returned in contraction after exhibiting expansion in October."

"In addition, the proportion of negative comments from respondents rose to 57.6% in November, compared with 55.4% for October and 71% in September."

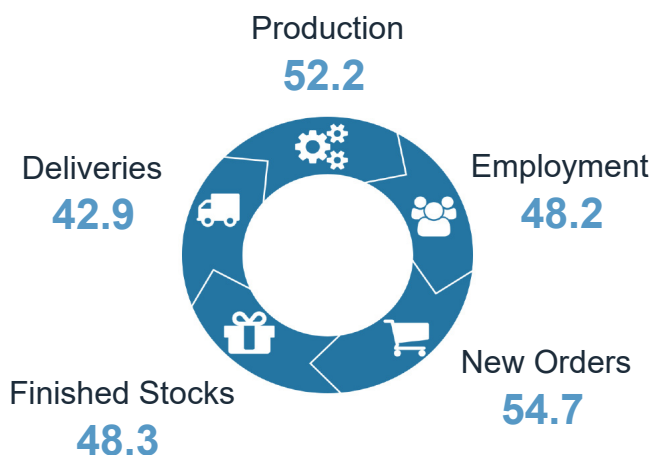
BNZ Senior Economist, Doug Steel stated that "the PMI implications for economic (and employment) growth seem clear – soft. But with obvious difficulties remaining on the supply side, we'd suggest that inflation is still rising."



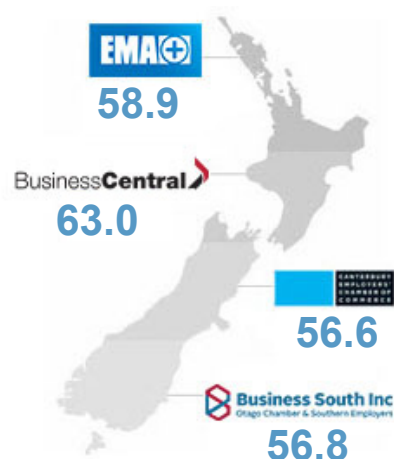
Catherine Beard
Director, Advocacy
BusinessNZ

[View PMI Time Series Data](#)

Main Indices



Regional Results



Manufacturing Snapshot



PMI

The Performance of Manufacturing Index (PMI) underwhelmed in November. It fell to 50.6, after a spurt higher to 54.2 in October. So back below average. One might have hoped for better readings given Covid-restrictions had generally been easing through October and November in and around Auckland.

[Read more](#) →

Delivery down

Disconcertingly, all sub-components were below their respective long-term norms in November. Deliveries of raw materials saw the biggest drop (by far) in the month and was the weakest at 42.9.

[Read more](#) →

Employment falls

Perhaps the most disappointing number in today's PMI was employment. It had been slowing over recent months but slipped further to 48.2 in November from 51.7 in October. This is the weakest reading since July last year.

[Read more](#) →

What does it mean?

All we can reasonably say from the PMI's October and November employment readings is that they suggest minimal manufacturing employment growth so far in Q4.

[Read more](#) →



Doug Steel
Senior Economist

[View full BNZ Manufacturing Snapshot](#)

PMI Time Series Table

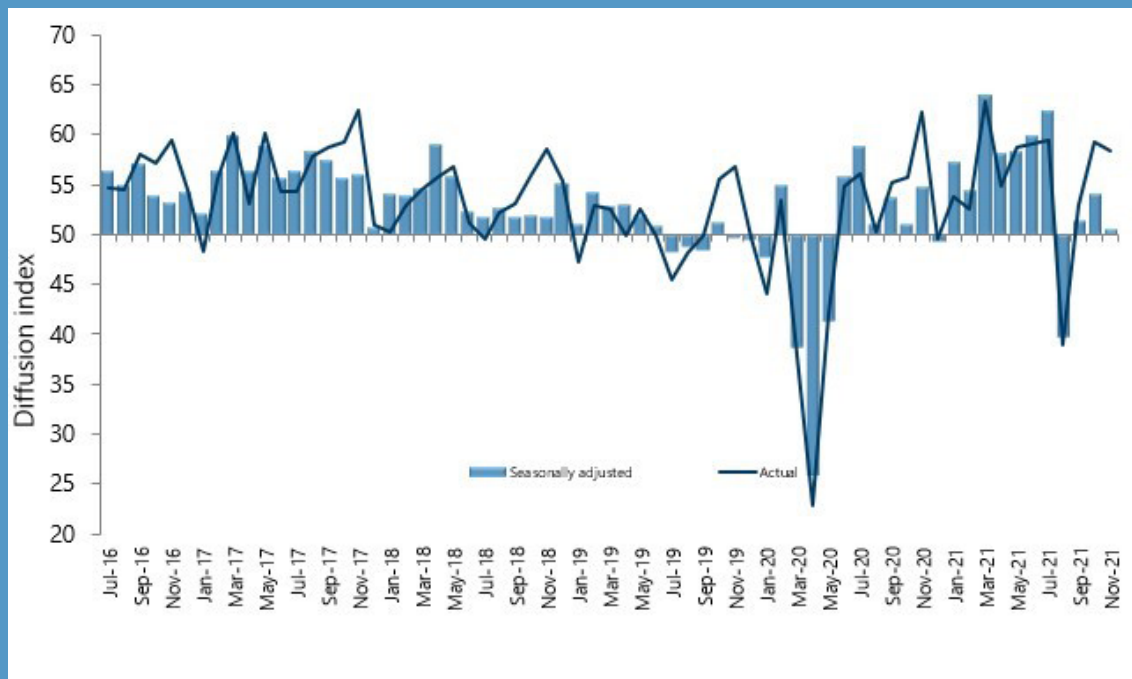
Results are seasonally adjusted

National Indices	Nov 2020	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021
BNZ - BusinessNZ PMI	54.8	62.5	39.8	51.5	54.2	50.6
Production	54.9	64.5	27.1	50.3	53.2	52.2
Employment	51.4	57.8	54.1	54.0	51.7	48.2
New Orders	55.6	63.3	44.1	54.3	54.2	54.7
Finished Stocks	60.6	56.2	45.8	49.8	54.6	48.3
Deliveries	51.5	55.2	32.9	47.6	59.9	42.9

[View PMI Time Series Data](#)

BNZ - BusinessNZ PMI Time Series

July 2016- November 2021

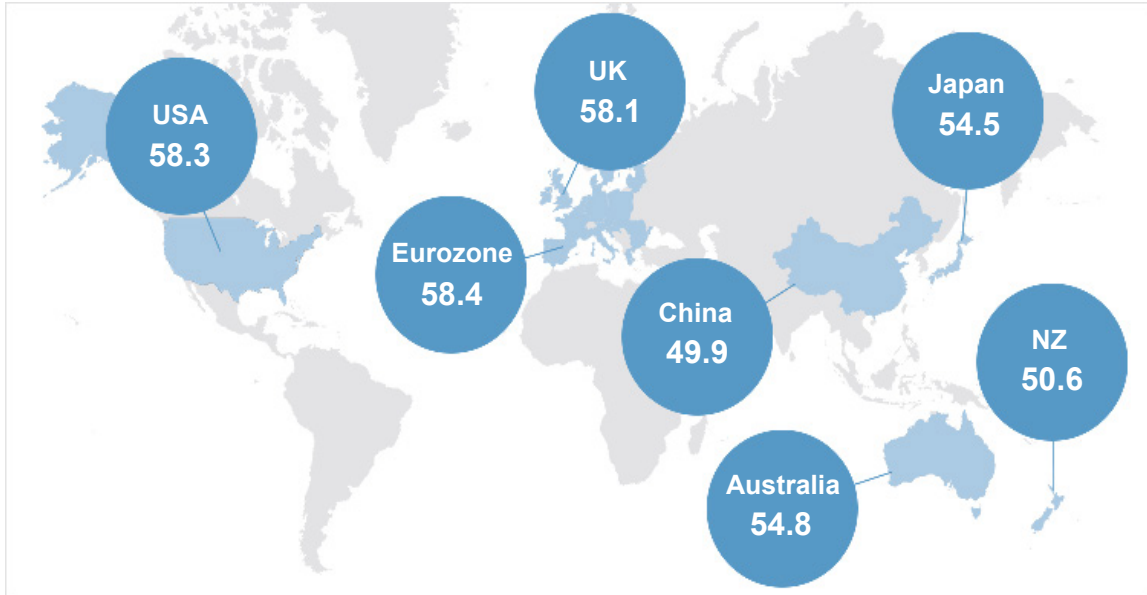


International Results

J.P. Morgan Global Manufacturing PMI™

1 December 2021

54.2



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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10 December 2021



PMI

The Performance of Manufacturing Index (PMI) underwhelmed in November. It fell to 50.6, after a spurt higher to 54.2 in October. So back below average. One might have hoped for better readings given Covid-restrictions had generally been easing through October and November in and around Auckland. Perhaps November's weaker looking numbers just reflect some payback from October's above average result. But even smoothing through the two months shows underperformance. While the jury remains out on how much GDP fell in Q3, with official figures due next week, the PMI over recent months adds to our thinking that the bounce in Q4 might not be as much as some are expecting.

Delivery down

Disconcertingly, all sub-components were below their respective long-term norms in November. Deliveries of raw materials saw the biggest drop (by far) in the month and was the weakest at 42.9. It makes October's strong 59.9 look like a flash in the pan. It shows major supply issues remain. A below average inventory reading reinforces that narrative.

Employment falls

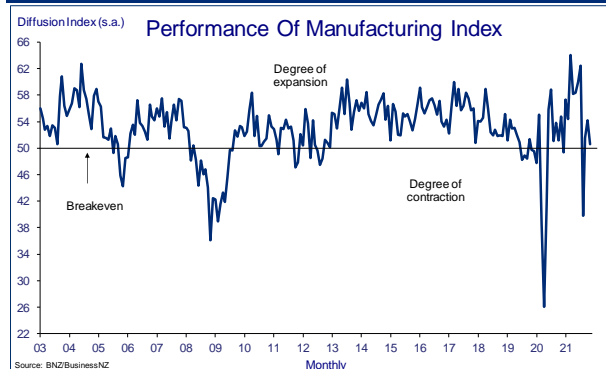
Perhaps the most disappointing number in today's PMI was employment. It had been slowing over recent months but slipped further to 48.2 in November from 51.7 in October. This is the weakest reading since July last year. It is not clear what caused the decline. It certainly raises questions. Has manufacturers' labour demand slowed? If so, is it related to supply chain issues and material shortages? Has a general shortage of labour and more staff turnover left firms unable to replace vacated roles?

What does it mean?

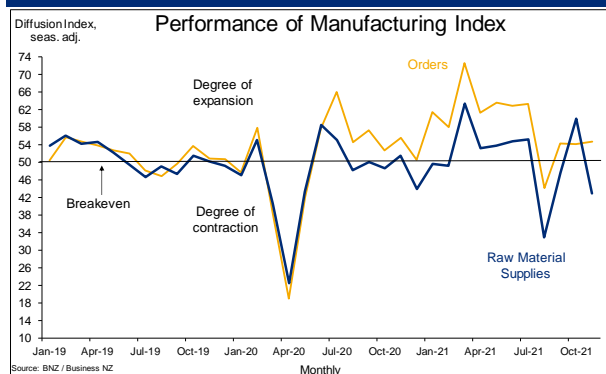
All we can reasonably say from the PMI's October and November employment readings is that they suggest minimal manufacturing employment growth so far in Q4. It may well be due to labour supply issues in which case it would not be inconsistent with the unemployment rate remaining very low. Near average new orders offers some support to the view that less employment may be more related to supply than demand. But such things need to be monitored carefully. The PMI implications for economic (and employment) growth seem clear – soft. But with obvious difficulties remaining on the supply side, we'd suggest that inflation is still rising.

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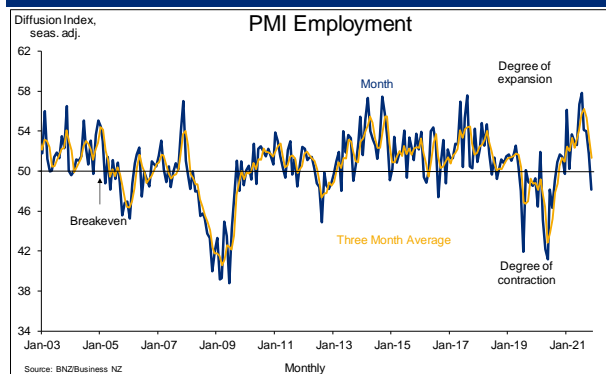
Underwhelming



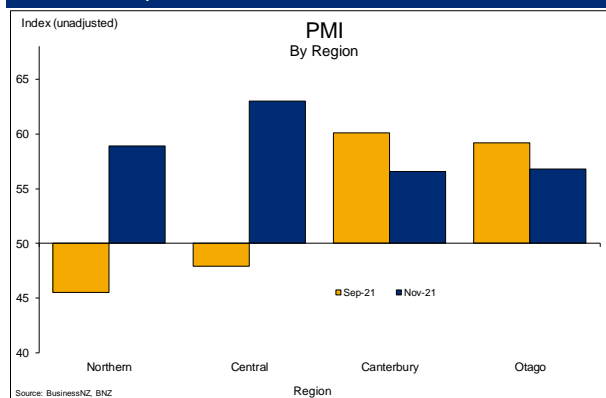
Supplies Turn Down Again



Fewer Workers



Northern Improvement



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