The sub-index of new orders (56.2) continued its recovery to record its highest value since May 2018, while production (52.6) produced its highest result since February 2019. Employment (50.2) was all but unchanged from the previous month, while finished stocks (48.5) was the only sub-index to remain in contraction for October, as well as at its lowest level since February 2014.

After a five month period of both lacklustre and negative growth, the pick-up in both new orders and production put the sector back on track. If the remaining two months for 2019 are to keep up the momentum, it is important these key sub-indexes remain positive to finish the year on a more upbeat note.

Given the pick-up in activity, the proportion of positive comments for October (57.6%) was higher than September (48.8%). A number mentioned seasonal factors influencing activity, as well as some outlining a general market increase.

BNZ Senior Economist, Doug Steel said that “the October PMI is hardly what you would call strong. But it is certainly much better than the previous three months where the index languished below 50 which indicated a sector going backwards”.

New Zealand’s manufacturing sector displayed expansion for the first time since June, according to the latest BNZ - BusinessNZ Performance of Manufacturing Index (PMI).

The seasonally adjusted PMI for October was 52.6 (a PMI reading above 50.0 indicates that manufacturing is generally expanding; below 50.0 that it is declining). This was the highest level of activity since April 2019.

BusinessNZ’s executive director for manufacturing Catherine Beard said that the October result was a welcome change from three consecutive months in contraction.

“The sub-index of new orders (56.2) continued its recovery to record its highest value since May 2018, while production (52.6) produced its highest result since February 2019. Employment (50.2) was all but unchanged from the previous month, while finished stocks (48.5) was the only sub-index to remain in contraction for October, as well as at its lowest level since February 2014.

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View PMI Time Series Data
Buoyant Construction Activity

Construction activity is important for many manufacturers. So another push to higher highs for residential building consents bodes well for demand in the near future.

GDP Implications

October’s PMI outcome raises the prospect of the manufacturing sector’s recent negative influence on economic growth coming to an end in the final quarter of the year.

Relief

October brought some much needed relief to the manufacturing sector with the Performance of Manufacturing Index (PMI) jumping back into expansion mode. There were widespread gains across various segments including regions, industries, and firm sizes.

Demand Improves

The new orders index rose strongly to its highest level in 18 months and has pushed above its long term average for the first time this year. And even with a decent pick up in production in the month, inventory reduction has quickened.
PMI Time Series Table

Results are seasonally adjusted

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</tbody>
</table>

View PMI Time Series Data

BNZ - BusinessNZ PMI Time Series

July 2014 - October 2019
**International Results**

J.P. Morgan Global Manufacturing PMI™

4 November 2019

49.8

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**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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**Media Comment**

For media comment, contact:

Catherine Beard:

📞 04 496 6560

Doug Steel:

📞 04 474 6923

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**Technical Comment**

Stephen Summers:

📞 04 496 6564

✉️ ssummers@businessnz.org.nz
15 November 2019

Relief

October brought some much needed relief to the manufacturing sector with the Performance of Manufacturing Index (PMI) jumping back into expansion mode. There were widespread gains across various segments including regions, industries, and firm sizes. To be sure, at 52.6 overall, the PMI is hardly what you would call strong. But it is certainly much better than the previous three months where the index languished below 50 which indicated a sector going backwards.

Demand Improves

The new orders index rose strongly to its highest level in 18 months and has pushed above its long term average for the first time this year. And even with a decent pick up in production in the month, inventory reduction has quickened. The combination of rising new orders and falling inventory suggests demand has lifted relative to supply. This bodes well for production ahead. These details give a sense that the PMI improvement is genuine and may have legs. Of course, only time will tell if that is indeed the case. For now, it seems that a one month pickup in demand is not enough to see manufacturers take on more staff (or maybe labour is too difficult to find). The PMI employment index essentially stayed flat at 50.2.

Buoyant Construction Activity

Construction activity is important for many manufacturers. So another push to higher highs for residential building consents bodes well for demand in the near future. The number of new dwelling consents rose a seasonally adjusted 7.2% in September to be up a whopping 30.8% on a year ago. Meanwhile, the value of non-residential building consents was 11% higher than a year earlier. Not so encouraging was a rather downbeat assessment of work over the coming year by architects in NZIER’s recent Quarterly Survey of Business Opinion. For October’s PMI, however, the positives seem to be holding sway with firmly positive results across all building-related industries.

GDP Implications

October’s PMI outcome raises the prospect of the manufacturing sector’s recent negative influence on economic growth coming to an end in the final quarter of the year. This follows Q2 weakness already reported and what looked like a negative influence on growth in Q3 (although increased livestock slaughter and milk processing will have helped activity during that quarter). In the bigger picture, a better looking PMI gives overall annual GDP growth more of a chance of achieving our forecast of around 2%. But the PMI, or other indicators, would still need to increase further to be consistent with the RBNZ’s forecast of over 2.5% by the second half of next year. At least the improvement in the PMI to date lifts the chances that the 1% to 1.5% growth rates implied by some other lead indicators might be averted.

doug_steel@bnz.co.nz