

BNZ – BUSINESSNZ PERFORMANCE OF MANUFACTURING INDEX

Struggle street

15 Sep, 2023

46.1

August

-0.5

Monthly Change

Contracting

Faster Rate

New Zealand's manufacturing sector continued to lose momentum in August, according to the latest BNZ - BusinessNZ Performance of Manufacturing Index (PMI).

The seasonally adjusted PMI for August was 46.1 (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 July, and the lowest level of activity for a non-COVID affected month since June 2009. The August result is also well below the long-term average activity rate of 52.9.

BusinessNZ's Director, Advocacy Catherine Beard said that the August result told the tale of another tough month for the sector.

"While the key sub-index components of New Orders (46.6) and Production (43.9) improved slightly from July, the trend since March has seen them all but entrenched in contraction. Any movement towards overall expansion in the sector needs to see a sustained lift above 50.0 for both of these key PMI components. Again, only Finished Stocks (52.1) remained in positive territory for August.

The proportion of negative comments stood at 66.7%, which was down slightly from 72% in July, but identical to May (66.7%). Manufacturers continued to note general market uncertainty (both domestic and offshore), rising costs, and weather affecting demand as the key negative influences on activity for August.

BNZ Senior Economist, Craig Ebert stated that "while the PMI headline result has been far worse during past recessions, the August result also loses points for its latest composition as New Orders and Production were the biggest drags being 8.0 and 9.5 points below par respectively".

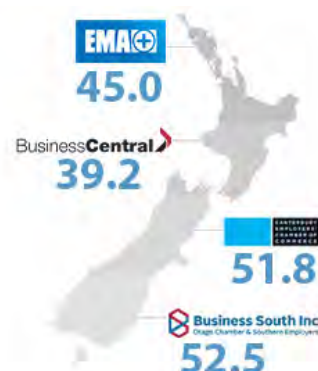


Catherine Beard
Director, Advocacy
BusinessNZ

Main Indices



Regional Results



[VIEW THE TIME SERIES DATA](#)



Manufacturing Snapshot

PMI

New Zealand's manufacturing sector seems to be in a fundamental flap. The Performance of Manufacturing Index (PMI) slipped further below the breakeven 50 mark in August, with a seasonally adjusted reading of 46.1.

[Read more](#)

Manufacturing consent

How to reconcile the ongoing weakness in the PMI - it's been below 50 since March - with indications that manufacturing output expanded sizably in the June quarter?

[Read more](#)

Industries

Also, manufacturing production looks as though it was strong in Q2 in part because of a spurt of food processing - in turn related to weather patterns over the first half of 2023.

[Read more](#)

Other detail

While New Zealand's PMI is in "good" company internationally - with the likes of the US PMI languishing at 47.6 and the Eurozone PMI at 43.5 in August - there are local contexts to the weakness to appreciate as well.

[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

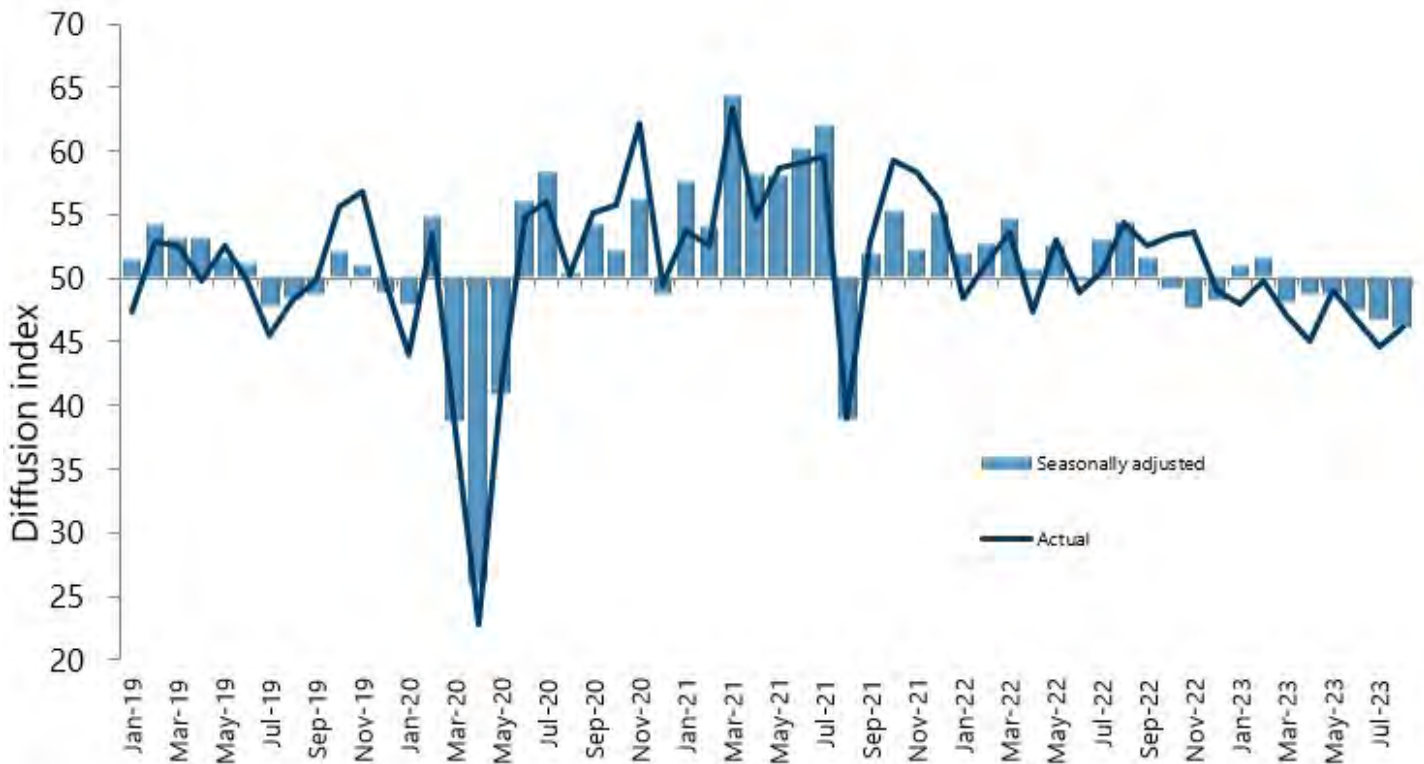
The results are seasonally adjusted.

National Indicies	Aug 2022	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023
BNZ - BusinessNZ PMI	54.3	48.7	48.7	47.5	46.6	46.1
Production	54.4	47.0	45.8	47.3	43.1	43.9
Employment	52.8	47.6	49.2	47.0	44.8	47.7
New Orders	59.1	49.2	50.2	44.0	45.5	46.6
Finished Stocks	52.3	52.7	51.7	52.4	52.7	52.1
Deliveries	53.1	50.7	45.9	50.2	42.9	47.7

[VIEW THE TIME SERIES DATA](#)

BNZ - BusinessNZ PMI Time Series

January 2019 - August 2023

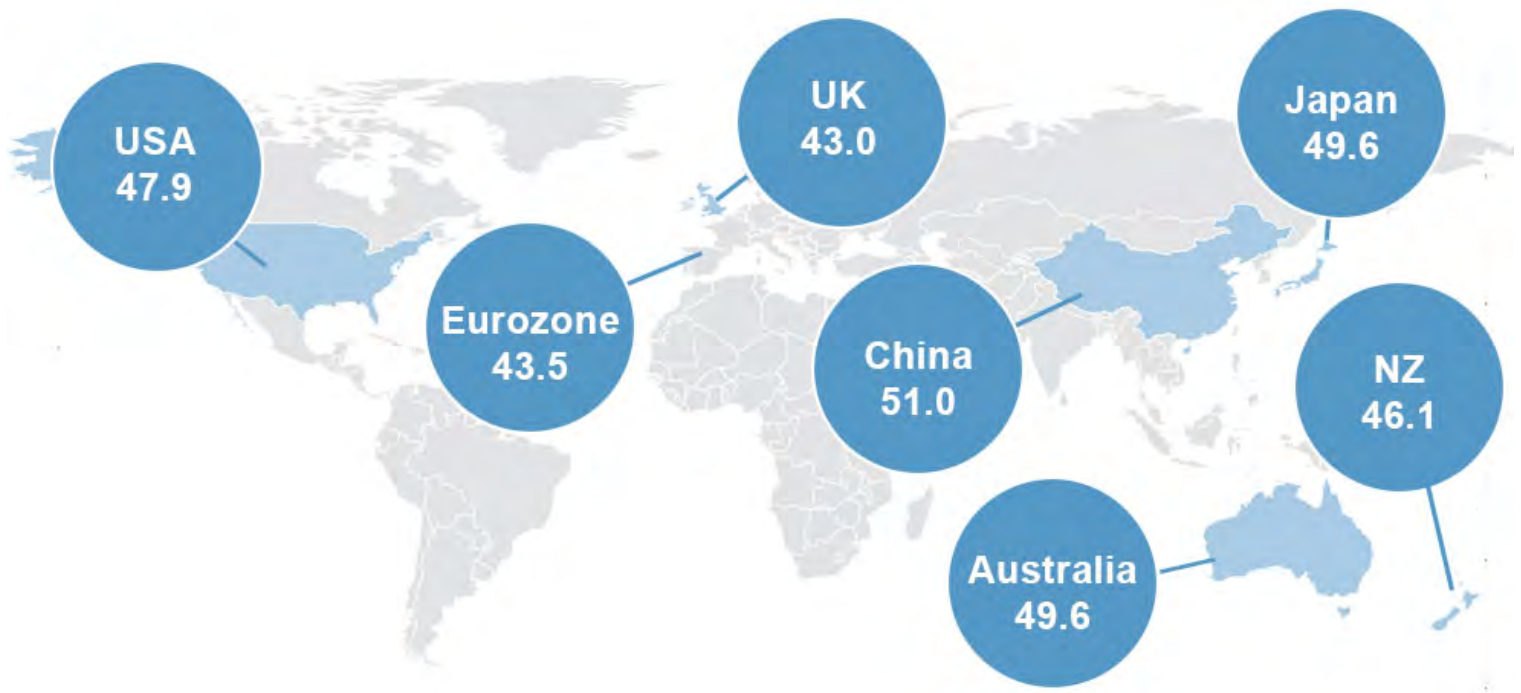


International Results

J.P. Morgan Global Manufacturing PMI™

02 Sep 2023

49.0



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

15 September 2023

PMI

New Zealand’s manufacturing sector seems to be in a fundamental flap. The Performance of Manufacturing Index (PMI) slipped further below the breakeven 50 mark in August, with a seasonally adjusted reading of 46.1. While it has been far worse, during past recessions, it also loses points for its latest composition. Preventing a bigger sag were inventories, which, at 52.1, were a touch above average. Employment, at 47.7, was 2.9 points below normal, while new orders, with 46.6, were a full 8.0 points shy of their trend. The biggest drag, however, was in production. At 43.9 in August, it was 9.5 points below par.

Manufacturing consent

How to reconcile the ongoing weakness in the PMI – it’s been below 50 since March – with indications that manufacturing output expanded sizably in the June quarter? The answer would seem to involve timing and measurement issues. Of course, we don’t yet know how manufacturing did in the Q2 GDP accounts, as they’re not due till next Thursday (21 Sep). But last week’s Business Financial Data certainly inferred a big increase in Q2 manufacturing output, alongside a rise in sales volumes, of 2.9%. For the most part, however, this would represent a rebound from weak results in Q4 and Q1.

Industries

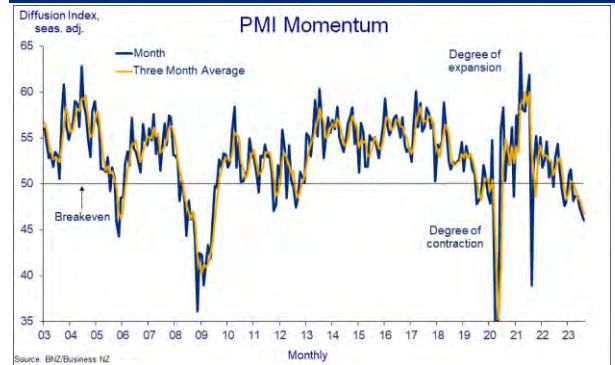
Also, manufacturing production looks as though it was strong in Q2 in part because of a spurt of food processing – in turn related to weather patterns over the first half of 2023. Sure, the food & beverage category of the PMI wasn’t exactly strong over the April-June period. However, in averaging 52.5, it was a good sight stronger than the 46.9 recorded by the overall PMI, over that time (all in unadjusted form). This food category, for the record, maintained its edge in August, with a reading of 51.6. Of the other 8 industry-based categories in the PMI, 7 of them registered below-50 results, to varying degrees.

Other detail

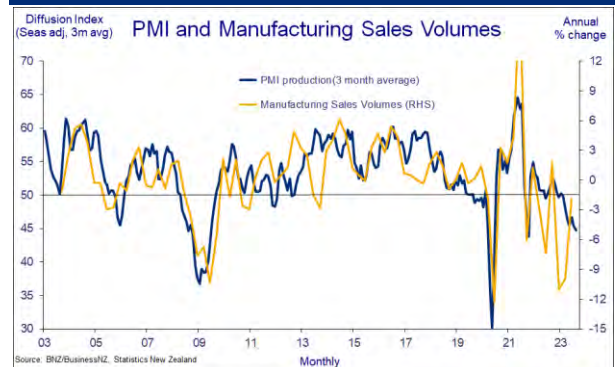
While New Zealand’s PMI is in “good” company internationally – with the likes of the US PMI languishing at 47.6 and the Eurozone PMI at 43.5 in August – there are local contexts to the weakness to appreciate as well. For example, the Central district was clearly the weakest link in August, with an unadjusted 39.2. Canterbury/Westland managed 51.8, while Otago/Southland also recovered a lot in the month, posting 52.5. Go the South Island. In contrast, there was a uniformity of below-50 results when the results were parsed by size-of-firm.

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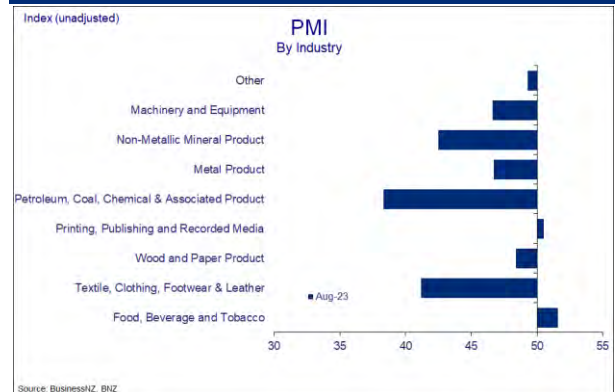
Down She Goes



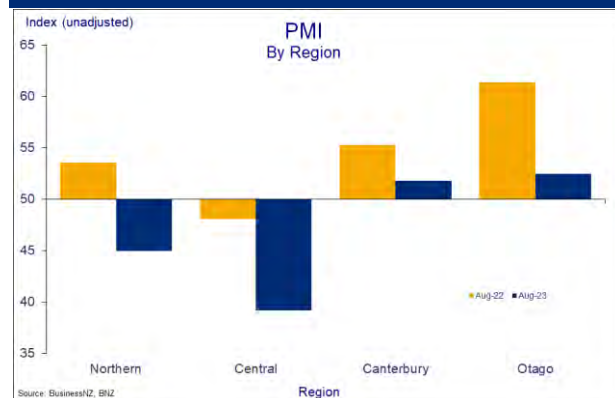
Production Pointer Poor



Food For Thought



South on Top



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