

# BNZ – BUSINESSNZ PERFORMANCE OF MANUFACTURING INDEX

## Tough year

19 Jan, 2024

**43.1**

December

**-3.4**

Monthly Change

**Contracting**

Faster Rate

Activity in New Zealand's manufacturing sector ended in further contraction, according to the latest BNZ – BusinessNZ Performance of Manufacturing Index (PMI).

The seasonally adjusted PMI for December was 43.1 (a PMI reading above 50.0 indicates that manufacturing is generally expanding; below 50.0 that it is declining). This was down from 46.5 in November and the lowest level of activity since October. It also meant the sector has been in contraction for ten consecutive months.

BusinessNZ's Director, Advocacy Catherine Beard said that the December result was the second lowest during 2023, highlighting how tough the second half of 2023 in particular has been for manufacturers.

"While the year started off with consecutive results in expansion, since then it has gotten progressively harder for manufacturers with July-December activity averaging only 45.0, compared with January-June averaging 49.2. Also of note that for December, the key sub-index of Production (40.5) was at its lowest point for a non-lockdown COVID month since March 2009".

The proportion of negative comments in December stood at 61%, which was up from 58.7% in November but down from 65.1% in October. Ongoing issues around a lack of demand and sales was the overriding theme mentioned by many manufacturers.

BNZ's Head of Research, Stephen Toplis, stated that "the December PMI reaffirms our view that economic conditions remain very difficult. While we expect the economy, and the manufacturing sector, to gain some momentum by end 2024, the next few months will remain challenging especially with retail spending and construction activity being under pressure".

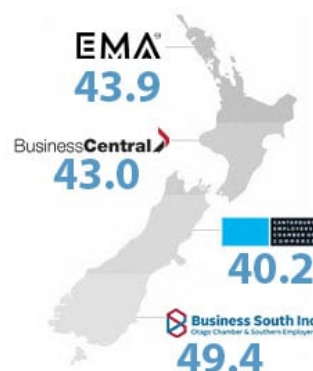


**Catherine Beard**  
Director, Advocacy  
BusinessNZ

### Main Indices



### Regional Results



[VIEW THE TIME SERIES DATA](#)



## Manufacturing Snapshot

### The PMI

November's bounce in the PMI looks increasingly like it was of the dead cat variety. December's outturn was simply miserable and saw the vast majority of the previous month's gains reverse.

[Read more](#)

### Labour Market

In line with the cuts in production it looks like the manufacturing sector continues to lay off staff. Employment levels, at least by this measure, have been in retreat for most of 2023.

[Read more](#)

### Implications for New Zealand GDP

By the end of September 2023 eight out of the nine manufacturing subsectors in New Zealand's GDP accounts were going backwards on an annual basis.

[Read more](#)

### The outlook

The domestic manufacturing sector is largely dependent on four factors: domestic demand (especially retail sales); food production; construction; and exports. It will thus be supported by the country's strong migration-driven population growth and the spending of a growing number of tourists.

[Read more](#)



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[VIEW FULL BNZ MANUFACTURING SNAPSHOT](#)

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### 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.

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# PMI Time Series Table

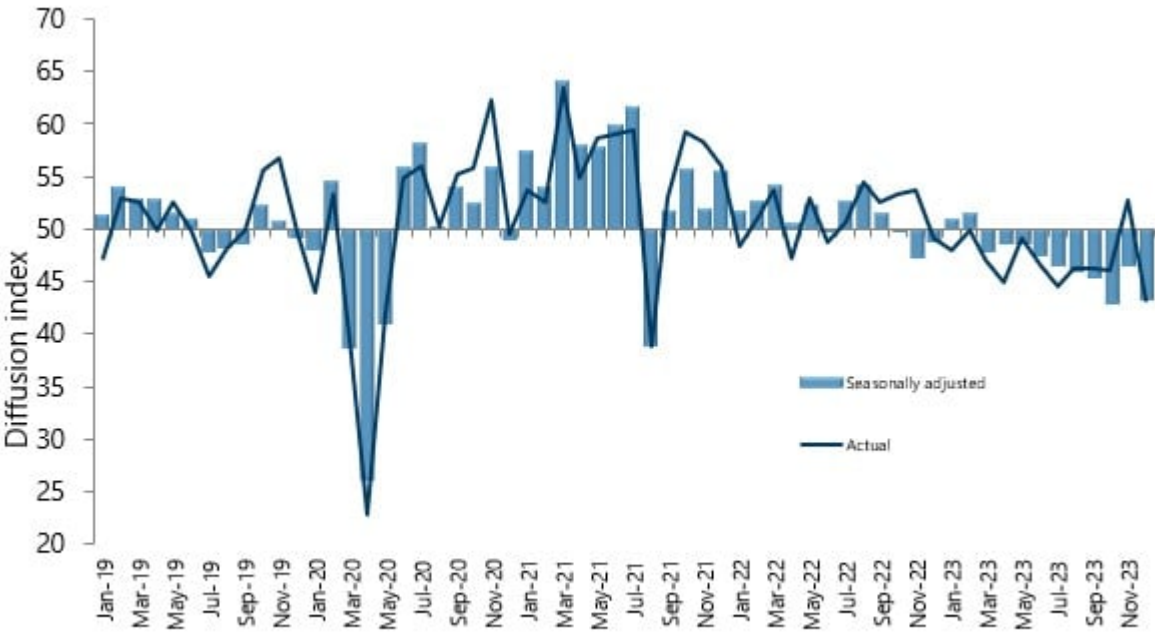
The results are seasonally adjusted.

| National Indices     | Dec 2022 | Aug 2023 | Sep 2023 | Oct 2023 | Nov 2023 | Dec 2023 |
|----------------------|----------|----------|----------|----------|----------|----------|
| BNZ - BusinessNZ PMI | 48.7     | 45.9     | 45.2     | 42.8     | 46.5     | 43.1     |
| Production           | 49.6     | 43.6     | 44.3     | 41.6     | 43.5     | 40.5     |
| Employment           | 49.9     | 47.7     | 45.3     | 43.8     | 47.9     | 46.7     |
| New Orders           | 49.2     | 46.6     | 44.9     | 44.3     | 47.4     | 44.0     |
| Finished Stocks      | 50.5     | 51.8     | 51.2     | 45.7     | 50.4     | 45.9     |
| Deliveries           | 49.6     | 47.5     | 44.3     | 43.2     | 47.8     | 43.4     |

VIEW THE TIME SERIES DATA

## BNZ - BusinessNZ PMI Time Series

January 2019 - December 2023



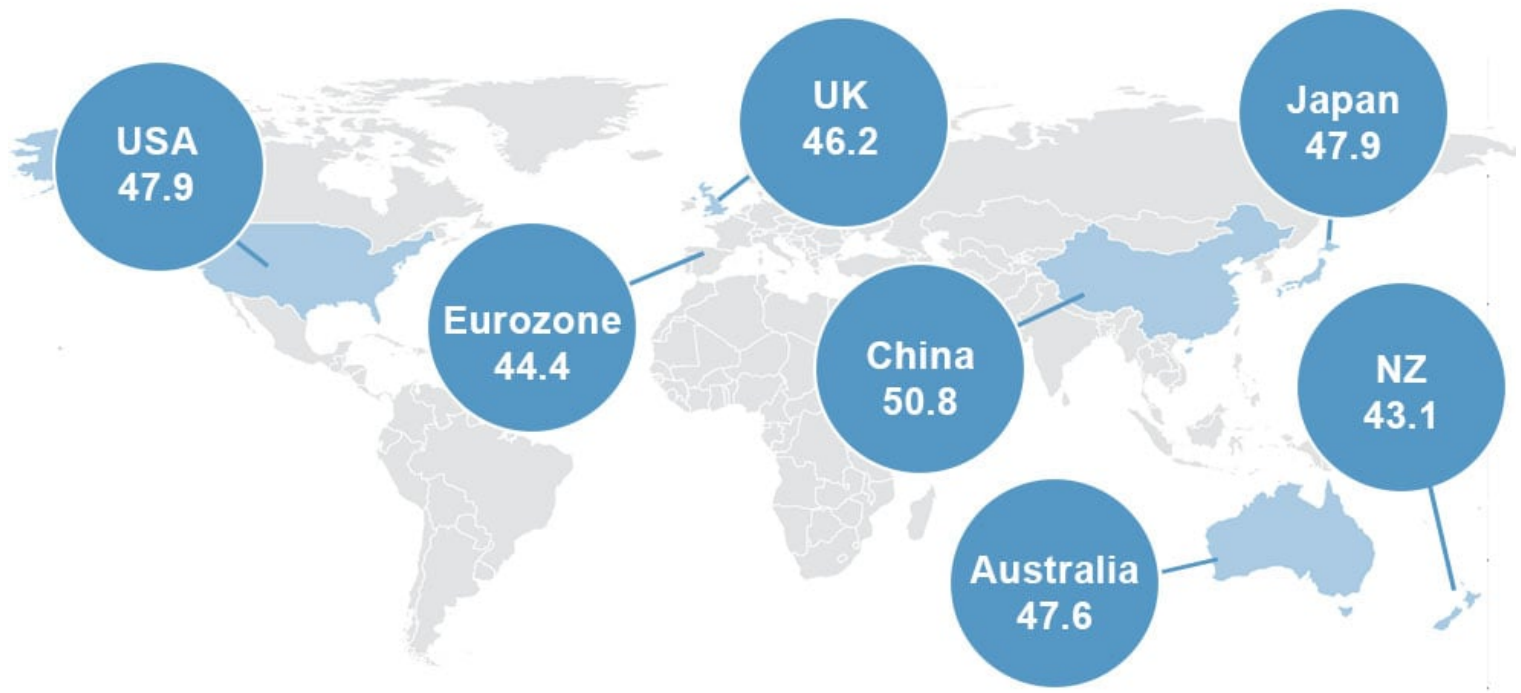


## International Results

J.P. Morgan Global Manufacturing PMI™

02 Jan 2024

# 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



BusinessCentral



# Research

# Manufacturing Snapshot

19 January 2024

## The PMI

November's bounce in the PMI looks increasingly like it was of the dead cat variety. December's outturn was simply miserable and saw the vast majority of the previous month's gains reverse. With a headline reading of 43.1, December's PMI represented the 10<sup>th</sup> consecutive month of contraction for the sector. The production indicator, at 40.5 was particularly grim. With the exception of the 2020 COVID lockdown, the last time production fell to these levels was the tail end of the Global Financial Crisis.

## Labour Market

In line with the cuts in production it looks like the manufacturing sector continues to lay off staff. Employment levels, at least by this measure, have been in retreat for most of 2023. With the combination of reduced labour demand and soaring net immigration it should come as no surprise that in this week's NZIER Quarterly Survey of Business Opinion, manufacturers noted that it had become outright easy to find staff both skilled and unskilled. If there is some good news to be gleaned from this it is that labour is no longer a major constraint to production and the significant upward pressure that has been on wages for the last few years should now be diminishing.

## Implications for New Zealand GDP

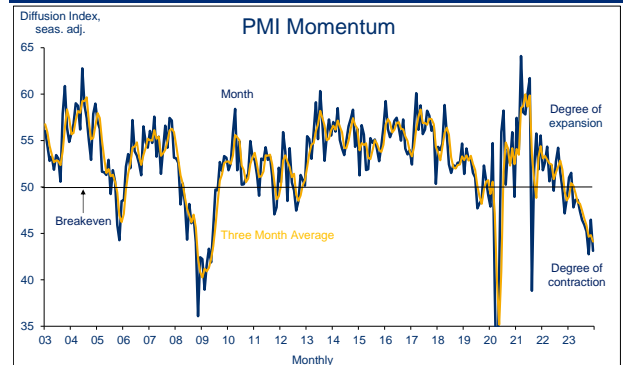
By the end of September 2023 eight out of the nine manufacturing subsectors in New Zealand's GDP accounts were going backwards on an annual basis. The only sector in expansion mode was furniture and other manufacturing whose value add rose 2.5% for the year. The manufacturing sector, as a whole, expanded in only one quarter of the last seven. Alas, December's PMI suggests another negative reading is on the cards.

## The outlook

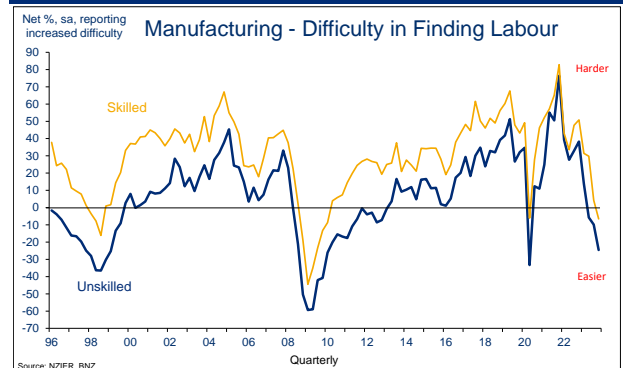
The domestic manufacturing sector is largely dependent on four factors: domestic demand (especially retail sales); food production; construction; and exports. It will thus be supported by the country's strong migration-driven population growth and the spending of a growing number of tourists. In short, more people spend more. But, alas, the headwinds remain strong. Consumers are still being stymied by rising prices, eroding disposable incomes, and the impact of an ongoing adjustment to interest rates. And the construction sector is showing little sign of life impacted by weakening consumer spending power and the fact that the costs of construction have made the purchase of new buildings prohibitive for many. We are cautiously optimistic activity will pick up towards the end of this year but think it will be a continued hard grind for at least the first half of 2024.

[stephen\\_toplis@bnz.co.nz](mailto:stephen_toplis@bnz.co.nz)

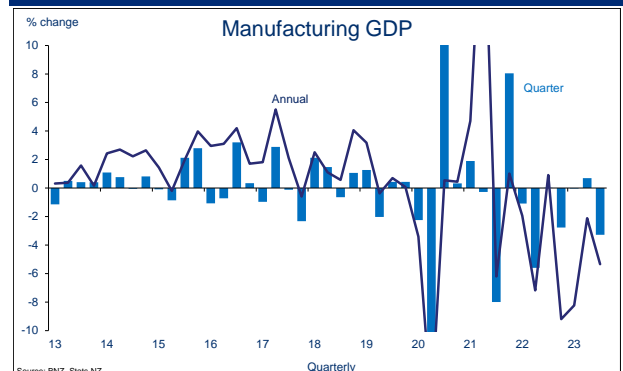
### PMI trend still down



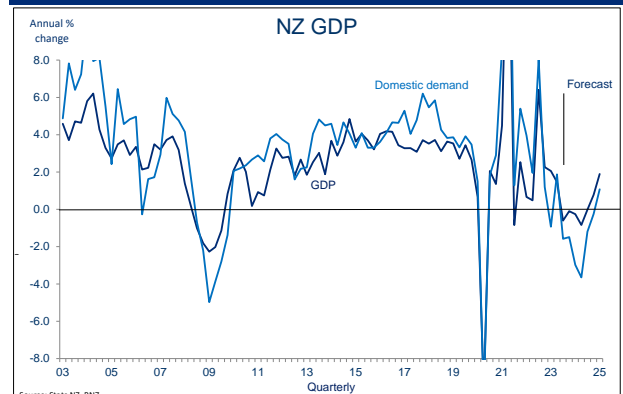
### Getting easier to find staff



### Manufacturing a drag on GDP



### Year's end looking better



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