

BNZ – BUSINESSNZ PERFORMANCE OF MANUFACTURING INDEX

On the improve

15 Mar, 2024

49.3

February

+1.8

Monthly Change

Contracting

Slower Rate

Activity in New Zealand’s manufacturing sector continued to show improvement in February, but still remained in contraction, according to the latest BNZ – BusinessNZ Performance of Manufacturing Index (PMI).

The seasonally adjusted PMI for February was 49.3 (a PMI reading above 50.0 indicates that manufacturing is generally expanding; below 50.0 that it is declining). This was up from 47.5 in January and the highest level of activity since February 2023. However, the sector has now been in contraction for 12 consecutive months.

BusinessNZ’s Director, Advocacy Catherine Beard said that the improved February result showed signs of a gradual turnaround in the sector.

“The key sub-index of Production (49.1) was at its highest level since January 2023, while Deliveries (51.4) was at its highest point since March 2023. However, New Orders (47.8) has now remained in contraction for nine consecutive months and likely needs to get much closer to the 50-point mark to edge the sector back into expansion”.

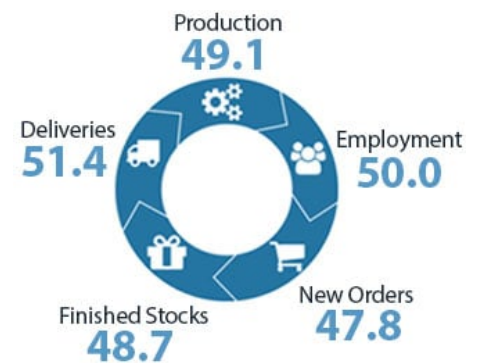
The proportion of negative comments in February stood at 62%, which was down from 63.2% in January but up from 61% in December. A lack of orders (both domestic and offshore) was mentioned by many respondents, as well as the general slowdown in the economy.

BNZ’s Head of Research Stephen Toplis said that “New Zealand’s manufacturing sector is still in recession, but this month’s PMI indicates there is light at the end of the tunnel. The 49.3 reading is within a smidgen of “breakeven” and the new orders to inventory differential provides support for an increase in production. Moreover, New Zealand’s underperformance against the rest of the world is narrowing quickly”.

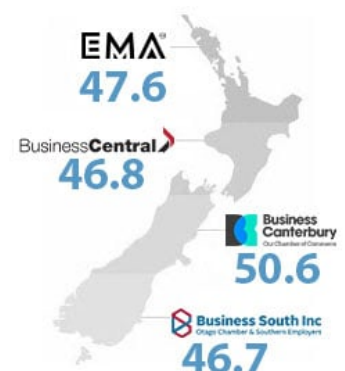


Catherine Beard
Director, Advocacy
BusinessNZ

Main Indices



Regional Results



[VIEW THE TIME SERIES DATA](#)



Manufacturing Snapshot

Signs of life

There are a number of economic indicators which are suggesting New Zealand might just be through the worst of this economic downturn. Today's PMI is yet another one of that ilk. The data are hardly cause for dancing in the streets but the direction of travel certainly provides reason for hope.

[Read more](#)

Closing the gaps

The New Zealand economy has been significantly underperforming its trading partners. Not surprisingly, the same can be said for its manufacturing sector. Another piece of good news in the data is that the gap is closing rapidly and for this first time since May 2023 the NZ PMI exceeds its Trans-Tasman counterpart.

[Read more](#)

Leading indicator positive

Importantly, the sub-components of the PMI provide every reason to believe the current upward momentum can be maintained. The trend decline in stocks of finished products is welcomed.

[Read more](#)

Labour market increasingly helpful

The other factor that continues to help business is the increasing ease of finding labour and the reduction in labour cost inflation associated with that. This can be combined with a trend improvement in the deliveries of raw materials which may well reflect the ongoing improvement in supply chains.

[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

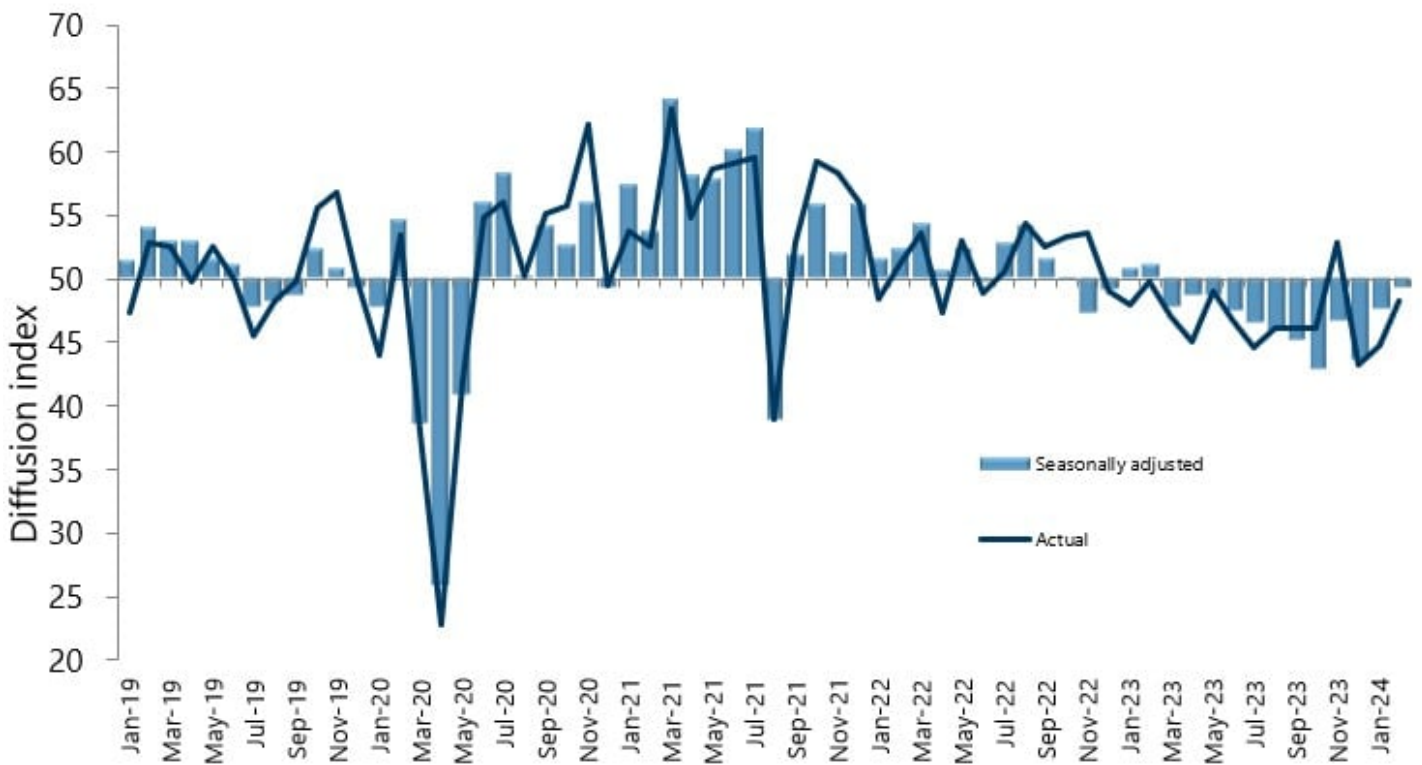
The results are seasonally adjusted.

National Indices	Feb 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024	Feb 2024
BNZ - BusinessNZ PMI	51.1	42.8	46.7	43.6	47.5	49.3
Production	47.3	41.6	43.7	40.9	42.9	49.1
Employment	55.4	43.8	48.5	47.0	51.3	50.0
New Orders	50.2	44.4	47.5	44.1	47.8	47.8
Finished Stocks	55.2	45.7	50.4	46.0	47.4	48.7
Deliveries	50.9	43.3	48.0	44.0	49.8	51.4

[VIEW THE TIME SERIES DATA](#)

BNZ - BusinessNZ PMI Time Series

January 2019 - February 2024

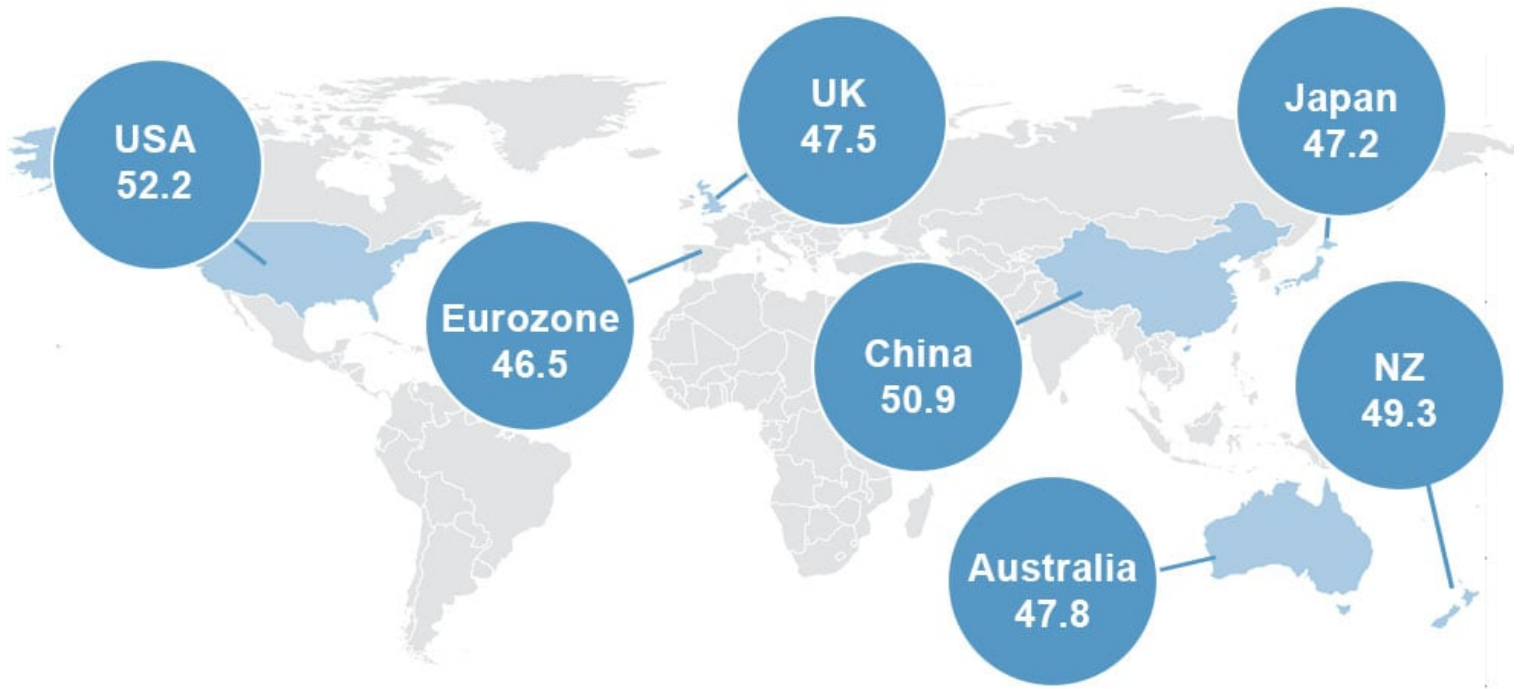


International Results

J.P. Morgan Global Manufacturing PMI™

01 Mar 2024

50.3



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 March 2024

Signs of life

There are a number of economic indicators which are suggesting New Zealand might just be through the worst of this economic downturn. Today's PMI is yet another one of that ilk. The data are hardly cause for dancing in the streets but the direction of travel certainly provides reason for hope.

At the headline level the seasonally adjusted PMI for February was 49.3. The reading is still below the so-called breakeven of 50 and is even further behind the average of 52.7. Moreover, it is the twelfth consecutive sub-par outturn suggesting the sector is well and truly in recession. But 49.3 is up from 47.5 a month ago and well up from the 42.8 trough of October 2023. Moreover, it's the highest reading in a year.

Closing the gaps

The New Zealand economy has been significantly underperforming its trading partners. Not surprisingly, the same can be said for its manufacturing sector. Another piece of good news in the data is that the gap is closing rapidly and for this first time since May 2023 the NZ PMI exceeds its Trans-Tasman counterpart.

Leading indicator positive

Importantly, the sub-components of the PMI provide every reason to believe the current upward momentum can be maintained. The trend decline in stocks of finished products is welcomed. Not that long ago there was a toxic mix of rising inventories and falling new orders. That now appears to be reversing, which is a positive sign for future production.

It's hard to know exactly what is driving the improvement but it may well be increased certainty following the General Election. This is not to pass judgment on the new government relative to its predecessor but simply to acknowledge that uncertainty around elections can often see a pause in activity.

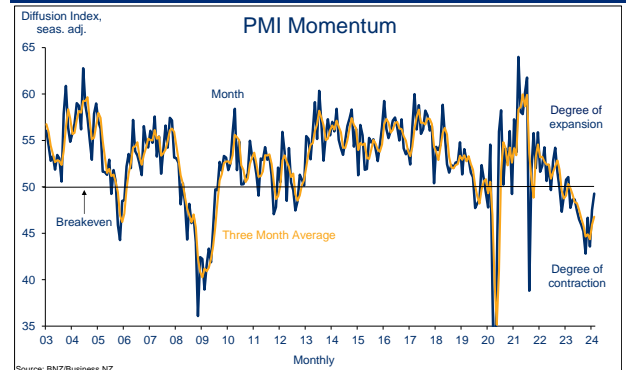
Labour market increasingly helpful

The other factor that continues to help business is the increasing ease of finding labour and the reduction in labour cost inflation associated with that. This can be combined with a trend improvement in the deliveries of raw materials which may well reflect the ongoing improvement in supply chains.

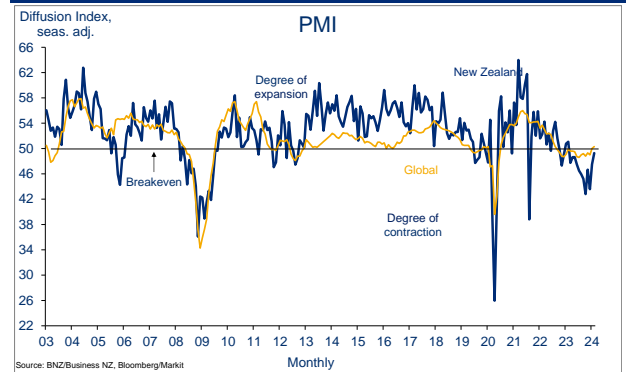
To the extent all this feeds into manufacturing production, clearly it will also feed into GDP. And, based on what we are seeing now, it encourages us in our belief that growth will return to the economy in the latter part of this year. Nonetheless, the data are still sufficiently soft for us to assume further contraction in manufacturing in Q1 of this year.

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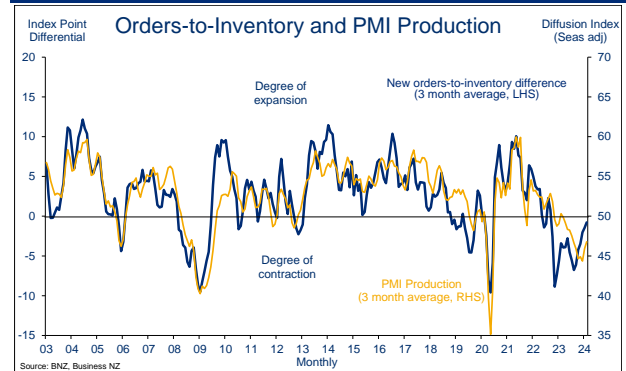
Momentum has shifted



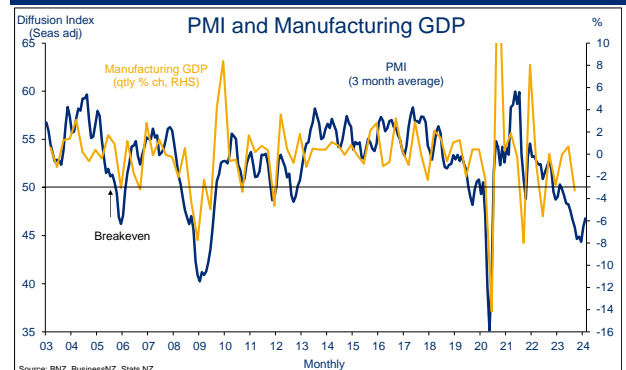
Catching up to the world



Production outlook improves



Still some downside left



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