

BNZ – BUSINESSNZ PERFORMANCE OF MANUFACTURING INDEX

Stuck in low gear

16 Feb, 2024

47.3

January

+3.9

Monthly Change

Contracting

Slower Rate

Activity in New Zealand's manufacturing sector improved in January, but still remained in contraction, according to the latest BNZ – BusinessNZ Performance of Manufacturing Index (PMI).

The seasonally adjusted PMI for January was 47.3 (a PMI reading above 50.0 indicates that manufacturing is generally expanding; below 50.0 that it is declining). This was up from 43.4 in December and the highest level of activity since June 2023. However, the sector has now been in contraction for eleven consecutive months.

BusinessNZ's Director, Advocacy Catherine Beard said that the January result was a step in the right direction to get the sector out of a prolonged period of contraction, but further work remains.

"On the positive side, Employment (51.3) was in slight expansion for the first time since February 2023, while New Orders (47.7) improved to its highest level since May 2023. However, New Orders has now remained in contraction for eight consecutive months, which combined with Production (42.1) has meant a sector that is still somewhat off returning to expansion".

The proportion of negative comments in January stood at 63.2%, which was up from 61% in December and 58.7% in November. Seasonal factors such as holidays was noted by many, as well as a lack of demand/orders.

BNZ Senior Economist Doug Steel, stated that "across components, employment stood out like the proverbial with a poke back above 50. This is at odds with deeply negative production and demand indicators like new orders. The whiff of more employment in the PMI might reflect better access to staff, with manufacturers reporting in the latest QSBO that labour is easier to find".

[VIEW THE TIME SERIES DATA](#)

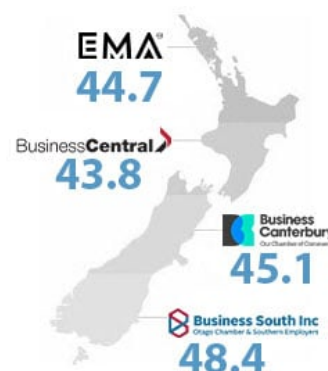


Catherine Beard
Director, Advocacy
BusinessNZ

Main Indices



Regional Results





Manufacturing Snapshot

Less weak

The Performance of Manufacturing Index (PMI) sort of looked a bit better in January as it lifted to 47.3 from December's 43.4. But it is better described as less weak.

[Read more](#)

Not all bad

Today's release did have a couple of positives. Food processing remains expansionary, with signs primary production has so far largely skirted the potential ills of El Nino.

[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

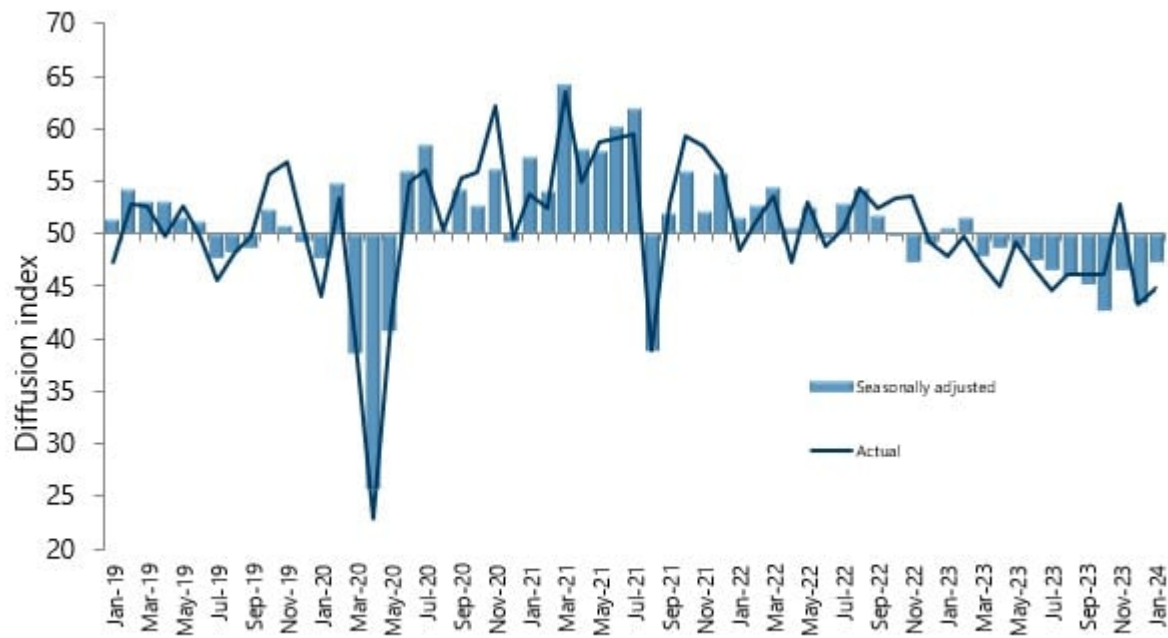
The results are seasonally adjusted.

National Indices	Jan 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024
BNZ - BusinessNZ PMI	50.6	45.2	42.8	46.6	43.4	47.3
Production	51.4	44.3	41.6	43.5	40.5	42.1
Employment	50.2	45.4	43.9	48.6	47.0	51.3
New Orders	48.6	44.9	44.3	47.4	44.0	47.7
Finished Stocks	52.5	51.2	45.6	50.4	45.9	47.3
Deliveries	50.7	44.5	43.3	47.9	43.7	49.3

VIEW THE TIME SERIES DATA

BNZ - BusinessNZ PMI Time Series

January 2019 - January 2024

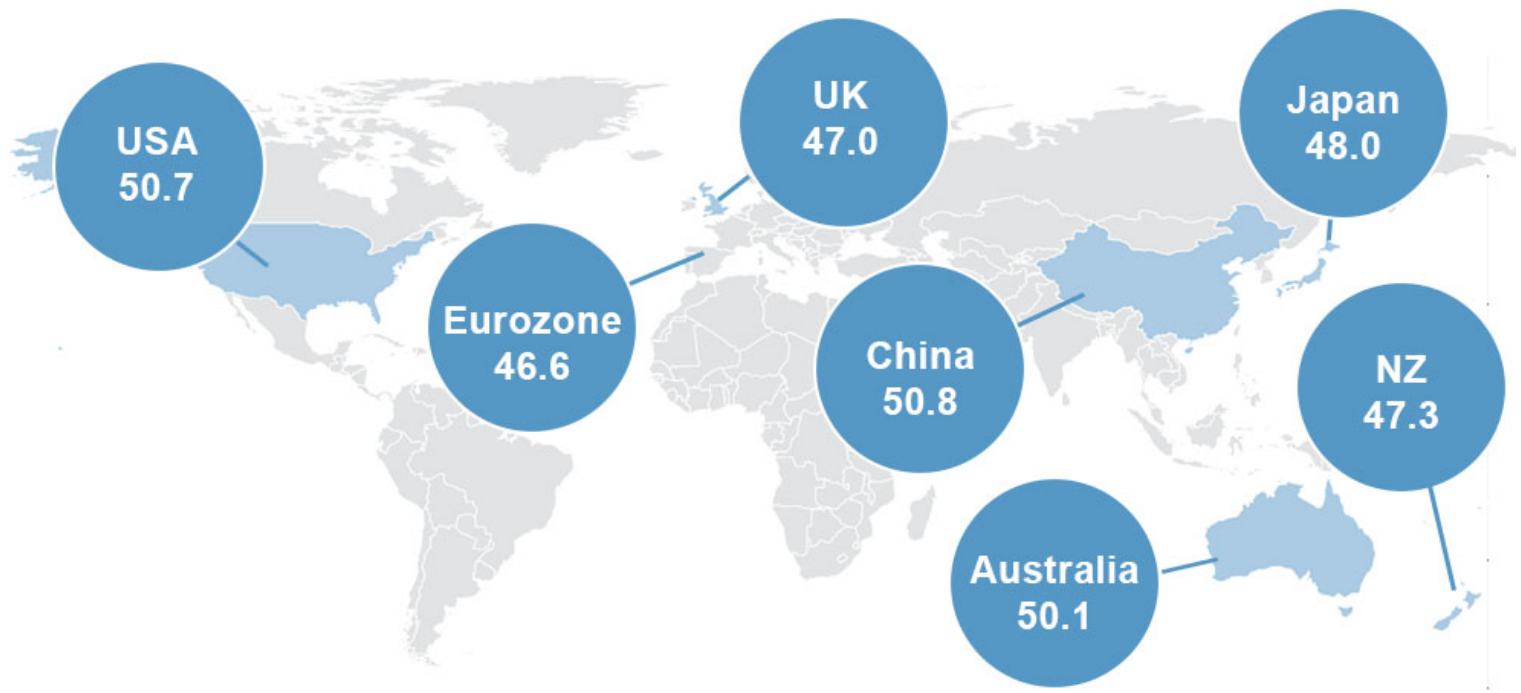


International Results

J.P. Morgan Global Manufacturing PMI™

01 Feb 2024

50.0



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

16 February 2024

Less weak

The Performance of Manufacturing Index (PMI) sort of looked a bit better in January as it lifted to 47.3 from December's 43.4. But it is better described as less weak. After all, in being below the 50 mark the PMI indicates a manufacturing sector that is contracting. It is at a slightly slower pace into the New Year, but January's result is the 11th consecutive month of contraction.

Clear PMI weakness remains in construction related activities. This follows from a range of building indicators softening over the past year or more. Take concrete production for example. Recently released figures saw a near 5% reduction in concrete production in the final quarter of last year, after adjusting for usual seasonality. The drop represents a reacceleration of the downtrend that has been evident for two years. Production in Q4 2023 was more than 12% lower than a year earlier. Outside of Covid lockdown quarters, the level of concrete production is at its lowest level since 2016. Building consents tell a similar story. The number of residential building consents in the final three months of last year were down all of 27% on the same period a year before. Activity might not fall quite this much given that it didn't (or couldn't, given previous resource constraints) follow the prior extreme highs in consents. But the direction of travel is clear. Meanwhile, non-residential building consents over the same period are down 24% on a floor area basis.

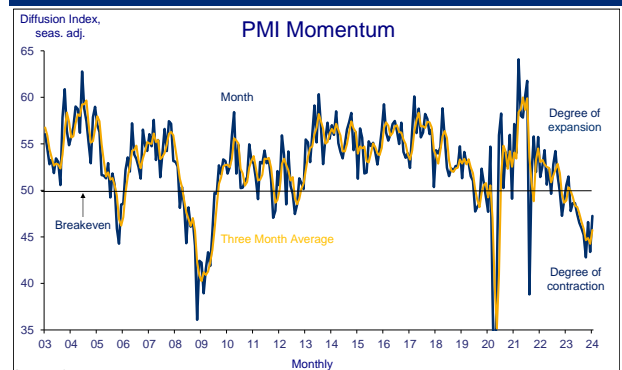
This all fits with our long-held view that building activity in NZ is under downward pressure. Persistent well below 50 readings for construction related industries like non-metallic mineral product and metal manufacturing is understandable in this context.

Not all bad

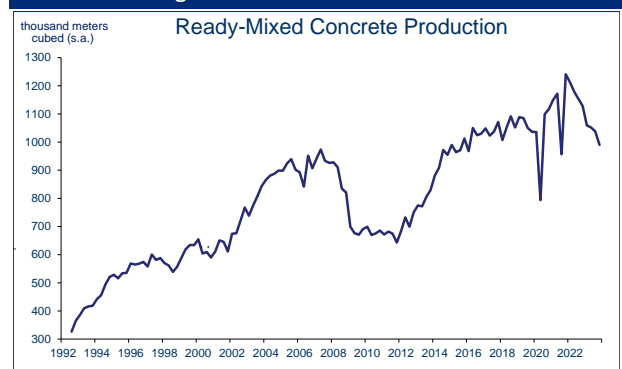
Today's release did have a couple of positives. Food processing remains expansionary, with signs primary production has so far largely skirted the potential ills of El Nino. Across components, employment stood out like the proverbial with a poke back above 50. This is at odds with deeply negative production and demand indicators like new orders. The whiff of more employment in the PMI might reflect better access to staff, with manufacturers reporting in the latest QSBO that labour is easier to find. This suggests less pressure on resource to produce what is required, a similar message from expected overtime in the same survey pushing below its 10-year average.

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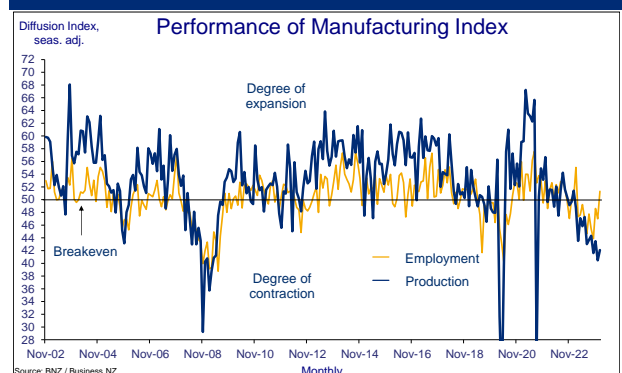
A Wriggle Upward, From Lows



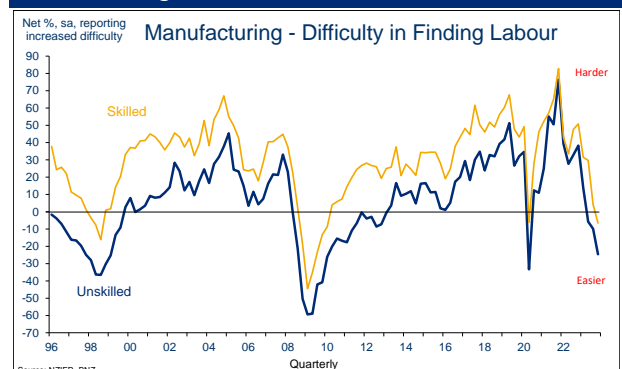
Concrete Falling



Unusual



Marked Change



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