

BNZ – BUSINESSNZ PERFORMANCE OF MANUFACTURING INDEX

One step back

12 Apr, 2024

47.1

March

-2.0

Monthly Change

Contracting

Faster Rate

Activity in New Zealand's manufacturing sector experienced stronger contraction during March, according to the latest BNZ - BusinessNZ Performance of Manufacturing Index (PMI).

The seasonally adjusted PMI for March was 47.1 (a PMI reading above 50.0 indicates that manufacturing is generally expanding; below 50.0 that it is declining). This was down from 49.1 in February and the lowest result since December 2023. The sector has now been in contraction for 13 consecutive months.

BusinessNZ's Director, Advocacy Catherine Beard said that it was a case of two steps forward, one step back with improving activity levels for the first two months of 2024 being undone somewhat by the March result.

"The key sub-index results for New Orders (44.7) and Production (45.7) both experienced a noticeable drop, while Employment (46.8) was at its lowest level since October 2023. In addition, the proportion of negative comments increased to 65% in March, compared with 62% in February and 63.2% in January. A lack of orders was again mentioned by numerous respondents, along with the general economic slowdown".

BNZ's Senior Economist Doug Steel said that "the PMI's average for the first quarter of the year is consistent with manufacturing GDP posting another quarter that is below that of a year earlier".

[VIEW THE TIME SERIES DATA](#)



Catherine Beard
Director, Advocacy
BusinessNZ

Main Indices



Regional Results





Manufacturing Snapshot

PMI retraces

The recent tendency of the Performance of Manufacturing Index (PMI) to become less downbeat was interrupted in March.

[Read more](#)

Domestic demand softer

All major PMI components in March were below their respective long-term average norms. However, this was especially the case for new orders.

[Read more](#)

Profitability pressures, staff reduction

The latest QSBO saw a net 53% of manufacturers reporting lower profits. That is about as weak as that indicator gets.

[Read more](#)

Different now

Previously, employment weakness was more a function of the inability of firms to find staff than it was a lack of demand for labour.

[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

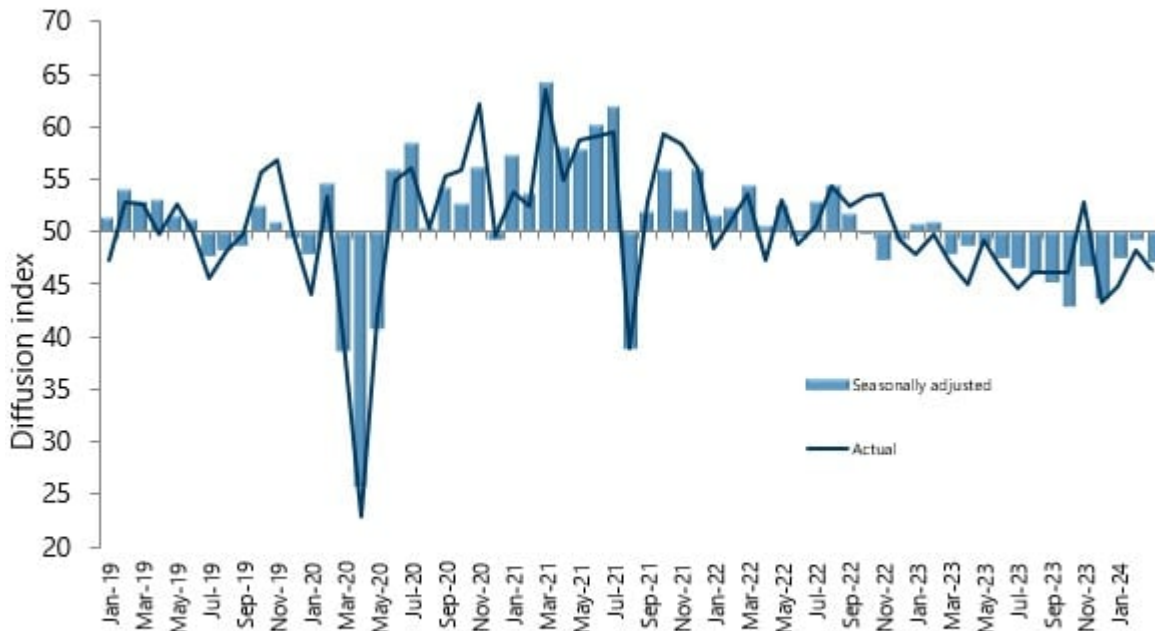
The results are seasonally adjusted.

National Indices	Mar 2023	Nov 2023	Dec 2023	Jan 2024	Feb 2024	Mar 2024
BNZ - BusinessNZ PMI	47.8	46.7	43.6	47.5	49.1	47.1
Production	43.9	43.6	40.9	42.9	49.1	45.7
Employment	47.9	48.7	47.0	50.9	49.2	46.8
New Orders	45.6	47.6	44.1	47.7	47.5	44.7
Finished Stocks	48.3	50.5	46.1	47.5	48.8	49.2
Deliveries	53.3	48.1	44.0	49.6	51.1	47.8

[VIEW THE TIME SERIES DATA](#)

BNZ - BusinessNZ PMI Time Series

January 2019 - March 2024

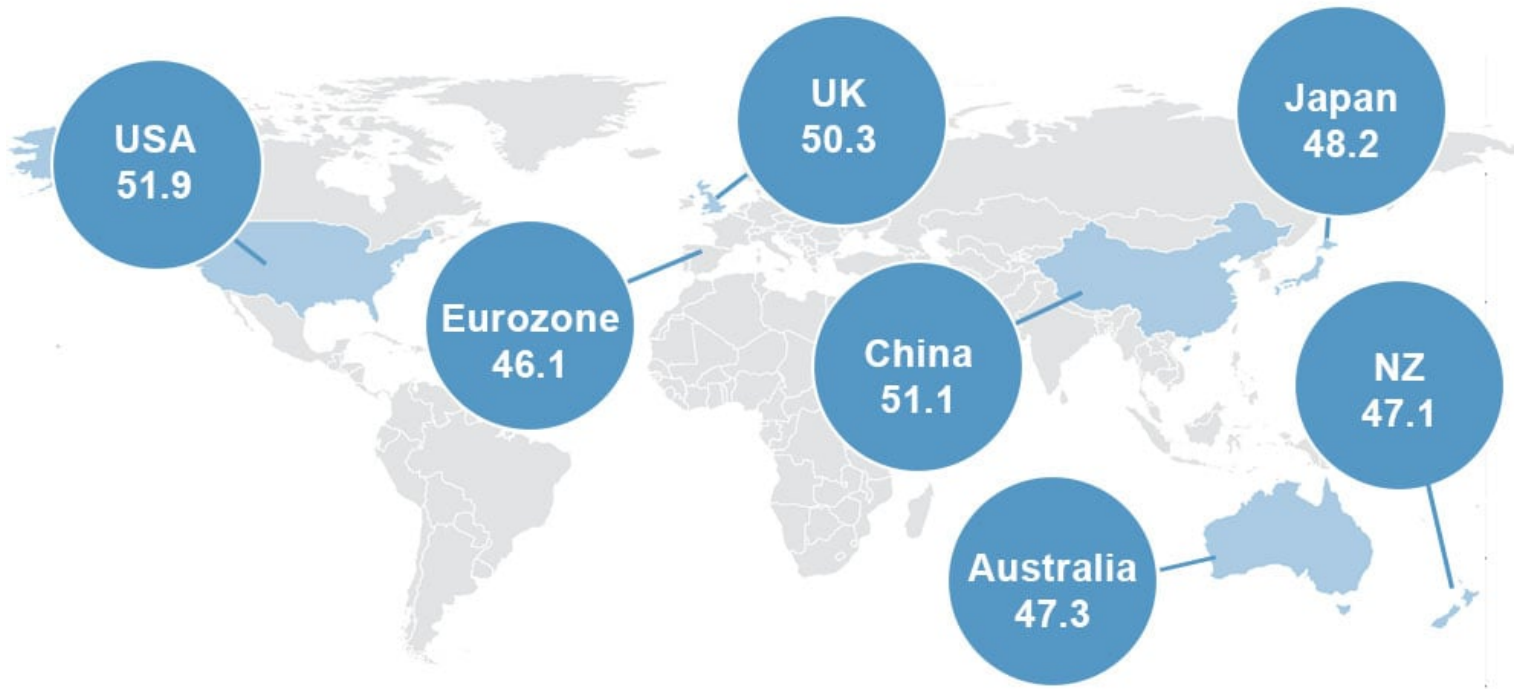


International Results

J.P. Morgan Global Manufacturing PMI™

02 Apr 2024

50.6



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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Our Contributors

The BNZ - BusinessNZ PMI contains data obtained through BusinessNZ's regional organisations



Manufacturing Snapshot

12 April 2024

PMI retraces

The recent tendency of the Performance of Manufacturing Index (PMI) to become less downbeat was interrupted in March. It pulled back to 47.1 after February's 49.1 had it closing in on the breakeven 50 mark. It is difficult to know how much influence the likes of February's leap day boosted that month and the timing of Easter this year weighed on activity in March. In any case, the PMI's average for the first quarter of the year is consistent with manufacturing GDP posting another quarter that is below that of a year earlier.

Domestic demand softer

All major PMI components in March were below their respective long-term average norms. However, this was especially the case for new orders. At 44.7, the new orders index was nearly 10 full points below normal. It tells of soft demand with PMI respondents predominately citing various domestic factors such as less construction activity and belt-tightening by consumers. The domestic weakness fits with results from the latest Quarterly Survey of Business Opinion (QSBO) that saw more manufacturers reporting lower domestic sales, but more export sales. Softer demand overall has seen output follow suit, with the PMI production index well below average at 45.7.

Profitability pressures, staff reduction

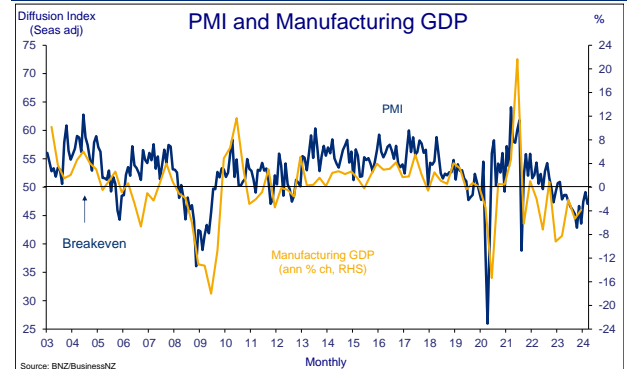
The latest QSBO saw a net 53% of manufacturers reporting lower profits. That is about as weak as that indicator gets. With cost pressures lingering and demand weak, it looks to be more difficult to pass through price increases judging by the QSBO. Manufacturers seem to be responding by cutting costs, including by reducing staff numbers judging by the PMI. The PMI employment index has fallen to a weak 46.8 in March.

Different now

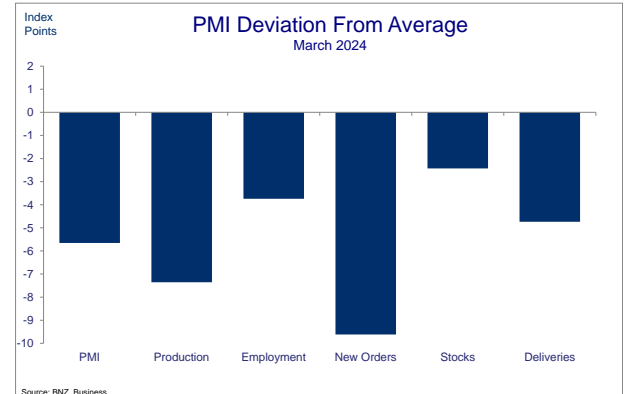
Previously, employment weakness was more a function of the inability of firms to find staff than it was a lack of demand for labour. That has changed. The QSBO asks manufacturers what their biggest constraint on output is. At times during the extremes of the pandemic, as many as half of respondents cited labour as the biggest constraint on output. That is now 4% in the most recent survey – its lowest level since the aftermath of the GFC back in 2011. In contrast, more than half of manufacturers now cite sales (read: lack of demand) as the biggest constraint. The good news is that a rebalancing of demand and supply, across the economy, will lower inflation and allow the RBNZ to lower interest rates.

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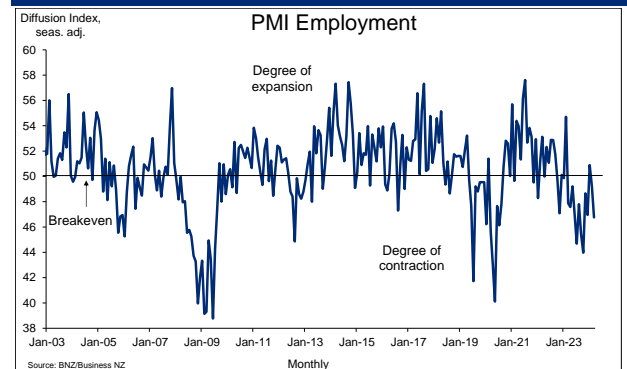
Relative Improvement Interrupted



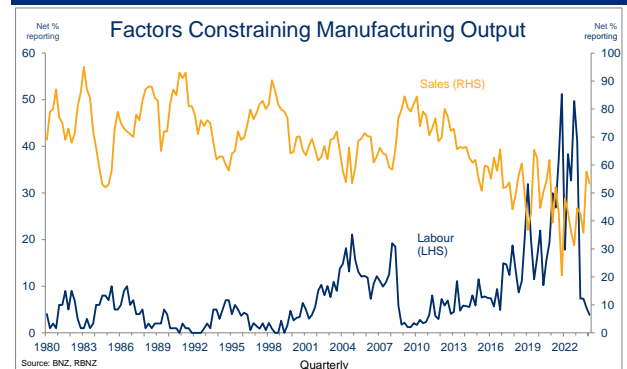
All Below Average



Lower Employment



Lack of Demand The Biggest Constraint



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