

BNZ – BUSINESSNZ PERFORMANCE OF MANUFACTURING INDEX

Entrenched contraction

13 Oct, 2023

45.3

September

-0.8

Monthly Change

Contracting

Faster Rate

New Zealand's manufacturing sector slipped further into contraction during September, according to the latest BNZ – BusinessNZ Performance of Manufacturing Index (PMI).

The seasonally adjusted PMI for September was 45.3 (a PMI reading above 50.0 indicates that manufacturing is generally expanding; below 50.0 that it is declining). This was down from 46.1 in August, and the lowest level of activity for a non-COVID affected month since May 2009. The September result is also significantly below the long-term average activity rate of 52.9.

BusinessNZ's Director, Advocacy Catherine Beard said that the September result continued an entrenched downward trend in activity over the last four months.

"The manufacturing sector has now been in contraction for seven consecutive months, with little sign it is showing any improvement. The key sub index measures of Production (44.6) and New Orders (44.9) show weak activity, while Employment (45.2) and Deliveries (44.3) both fell from August."

The proportion of negative comments stood at 68.8%, which was up slightly from 66.7% in August, but down from 72% in July. Manufacturers continued to note declining sales, General Election uncertainty and ongoing rising costs as the key negative influences on activity for September.

BNZ Senior Economist, Doug Steel stated that "the trend remains firmly downward. It is a poor signal for the likes of manufacturing GDP growth. It is always difficult to know the precise drivers of any particular PMI result but judging by respondent comments falling sales, rising costs, and election uncertainty are currently all part of the mix".

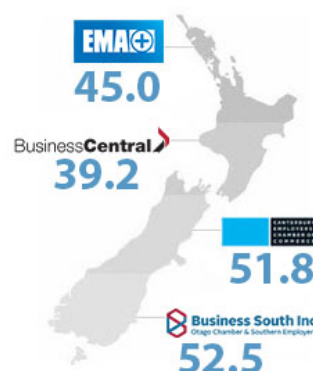


Catherine Beard
Director, Advocacy
BusinessNZ

Main Indices



Regional Results



[VIEW THE TIME SERIES DATA](#)



Manufacturing Snapshot

Underperformance

The Performance of Manufacturing Index (PMI) has made relatively grim reading for months. September was no exception. While its 45.3 reading was only marginally lower than August's 46.1, it is another month well below the breakeven 50 mark where it has been now for seven consecutive months.

[Read more](#)

Details weak

The PMI's major components reflect the current challenges – many are well below long term norms. Take the new orders index for example. At a low 44.9 in September, it is nearly 10 full index points below its average in a clear sign that demand is softening.

[Read more](#)

Labour demand softening

PMI employment has slipped a bit further to 45.2 in September taking its three-month moving average to 45.9. This is not a good look for manufacturers' demand for labour.

[Read more](#)

Global

It is no secret that PMIs around the world have been generally struggling for some time. After broadly matching this tendency, albeit with, not surprisingly, more volatility – NZ's PMI has moved more decisively lower over recent months relative to the global index.

[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

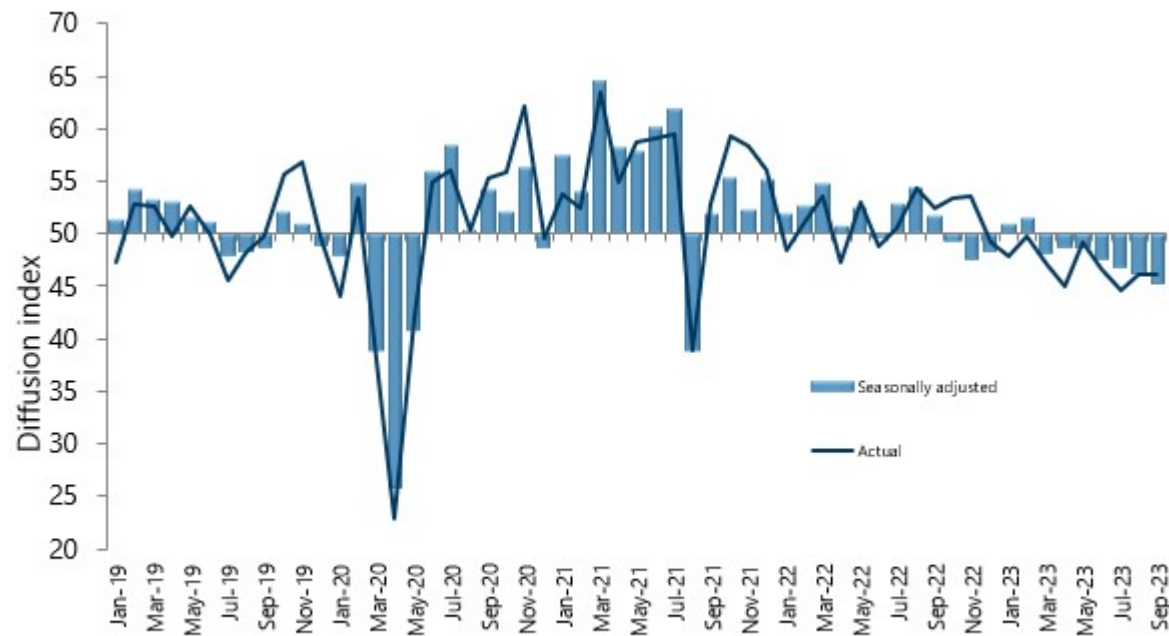
The results are seasonally adjusted.

National Indices	Sep 2022	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023
BNZ - BusinessNZ PMI	51.6	48.7	47.5	46.7	46.1	45.3
Production	51.8	45.8	47.2	43.1	43.8	44.6
Employment	51.5	49.2	47.0	44.8	47.7	45.2
New Orders	49.1	50.2	43.9	45.4	46.6	44.9
Finished Stocks	55.3	51.7	52.4	52.7	52.0	51.6
Deliveries	54.7	45.9	50.2	42.9	47.8	44.3

VIEW THE TIME SERIES DATA

BNZ - BusinessNZ PMI Time Series

January 2019 - September 2023

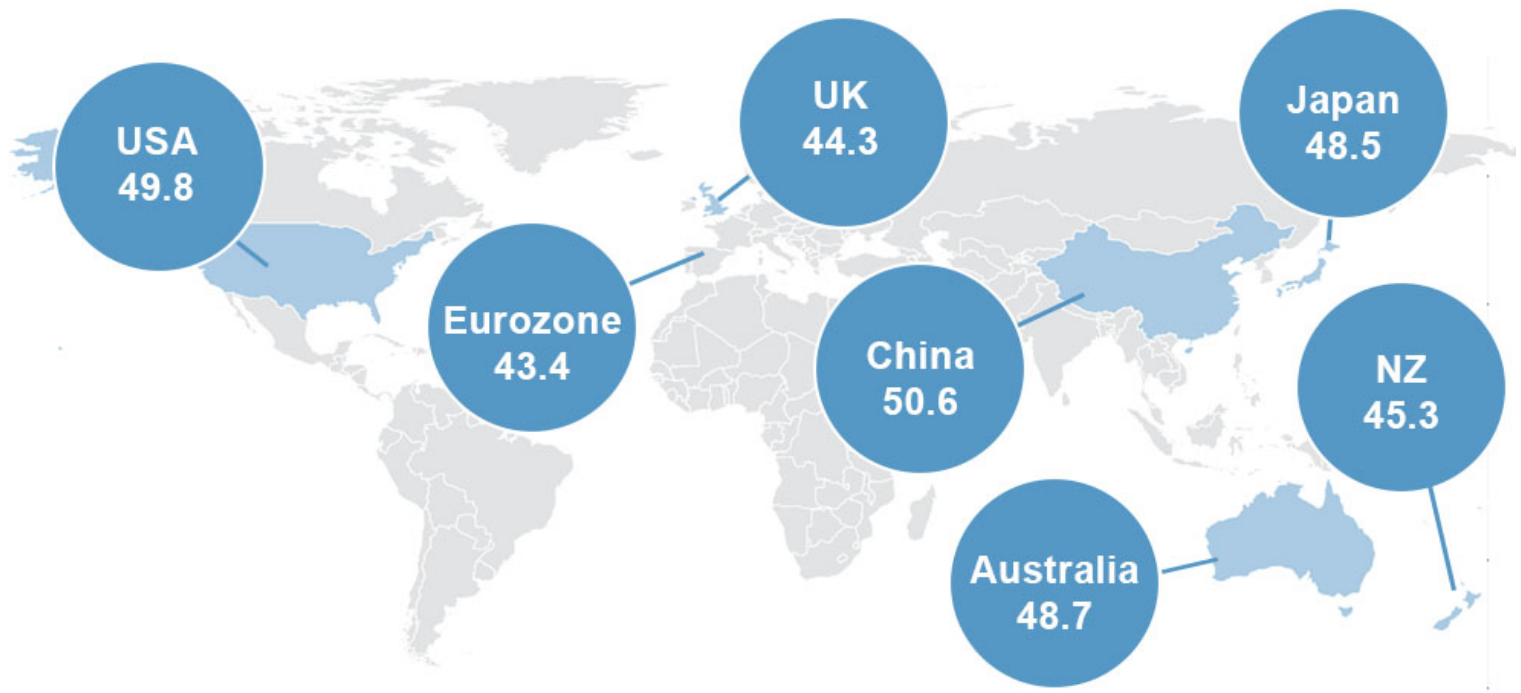


International Results

J.P. Morgan Global Manufacturing PMI™

02 Oct 2023

49.1



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

13 October 2023

Underperformance

The Performance of Manufacturing Index (PMI) has made relatively grim reading for months. September was no exception. While its 45.3 reading was only marginally lower than August's 46.1, it is another month well below the breakeven 50 mark where it has been now for seven consecutive months. The trend remains firmly downward. It is a poor signal for the likes of manufacturing GDP growth. It is always difficult to know the precise drivers of any particular PMI result but judging by respondent comments falling sales, rising costs, and election uncertainty are currently all part of the mix.

Details weak

The PMI's major components reflect the current challenges – many are well below long term norms. Take the new orders index for example. At a low 44.9 in September, it is nearly 10 full index points below its average in a clear sign that demand is softening. The production index is similarly weak. At 44.6, it is nearly 9 index points below its respective normal. The only major index that is close to its long-term average is stocks of finished products. However, the new orders to stocks ratio remains an adverse signal for production ahead.

Labour demand softening

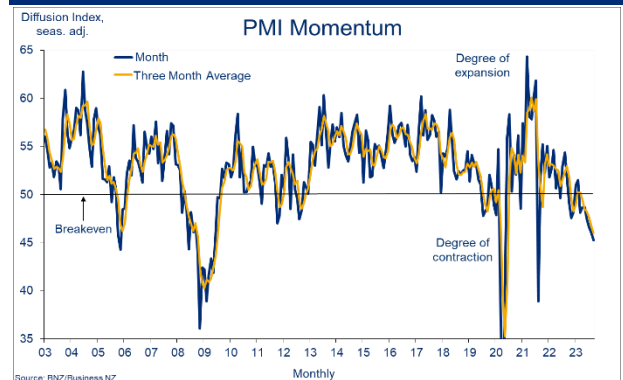
PMI employment has slipped a bit further to 45.2 in September taking its three-month moving average to 45.9. This is not a good look for manufacturers' demand for labour. This suggests some downside risk to manufacturing employment, although history shows this indicator tends to have a stronger relationship with paid hours rather than numbers employed in the manufacturing sector. Softer labour demand fits with indicators from the Quarterly Survey of Business Opinion showing manufacturers' labour constraints have eased over the past six months.

Global

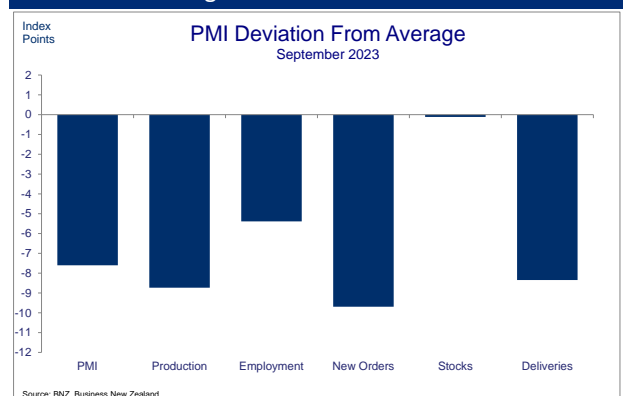
It is no secret that PMIs around the world have been generally struggling for some time. After broadly matching this tendency, albeit with, not surprisingly, more volatility – NZ's PMI has moved more decisively lower over recent months relative to the global index. In September, NZ's 45.3 compares to the global reading of 49.1. One can only wonder if the widening gap reflects rising reservation on that part of local manufacturers as NZ's election approaches, or something else.

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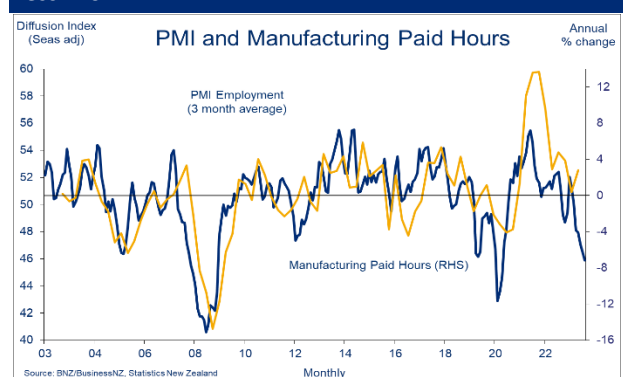
Trending Lower



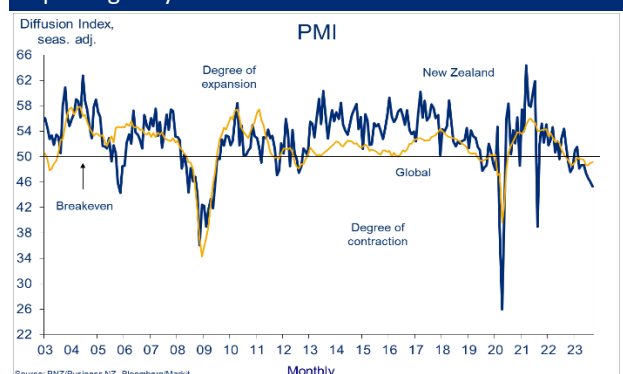
Well Below Average



Less Work



Departing Ways



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