

Manufacturing Snapshot

15 August 2025

Back above 50

NZ's Performance of Manufacturing Index (PMI) simply had to lift to provide us with any confidence that the recovery we are forecasting will happen. So, it was a great relief to see July's lift in the PMI from 49.2 to 52.8. Indicators (including the PMI and electronic card transactions) suggest that economic activity contracted in Q2. As we move through Q3, the July jump in these indicators offers some hope. But early signs of improvement will need to be sustained if they are to be consistent with our forecasts for modest growth. And we'll be looking for more of the same in the Performance of Services Index (PSI) on Monday.

Higher across the board

Looking across the PMI sub-indices, they all moved in the right direction. The PMI new orders index (54.2) nudged above its historical average (54.0) for the first time since August 2022. New orders are not soaring, but they are finally back on more solid ground. Similarly, the PMI employment index lifted to 50.1 and suggests net labour shedding in manufacturing has paused. This would be a welcome change, following confirmation of weak manufacturing employment in the official Q2 statistics.

Tariffs and gas prices unhelpful

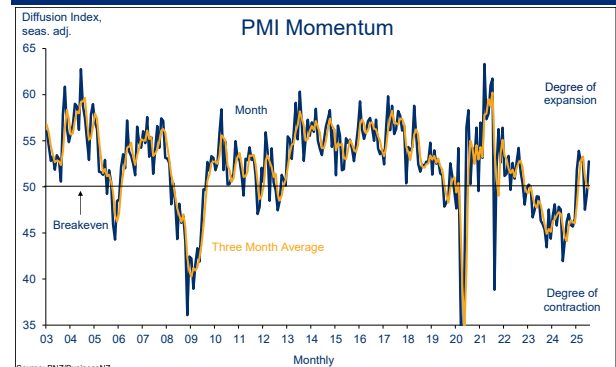
The latest headwind for manufacturers in NZ is the 15% tariff on goods exports to the US, up from 10% previously. Importantly, our exporters now are at a 5% disadvantage relative to some other countries (e.g. Australia at 10%). At an economy-wide level, the increased US tariff on NZ goods exports will have a negative impact at the margin. However, the impact of the tariff changes will vary by product. For example, even NZ facing the same tariff as the EU has exporting into the US market at a disadvantage relative to the prospect of the EU facing a higher tariff, with wine a particular concern. Manufacturers are also navigating higher gas prices. In Q1, commercial gas prices were 20.7% above year earlier levels as demand bumps up against limited domestic supply. In response, some industrial gas users have been forced to cut staff, increase prices or reduce production.

At a turning point?

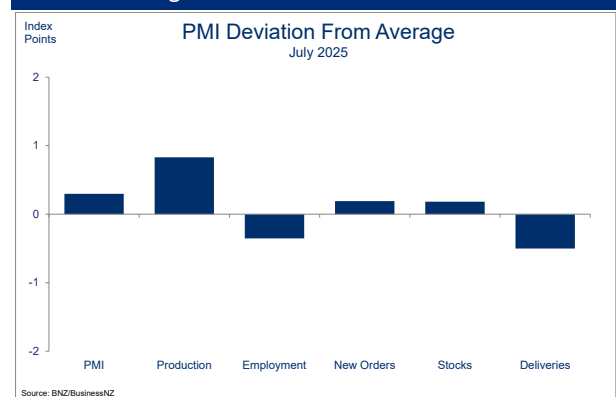
Given the prevailing headwinds it is, perhaps, even more encouraging that the PMI has moved back into expansion. It will need to be sustained or nudge a bit higher to be consistent with our economic forecasts, but it is good to see a move for the better.

doug_steel@bnz.co.nz / matt_brunt@bnz.co.nz

Some signs of life



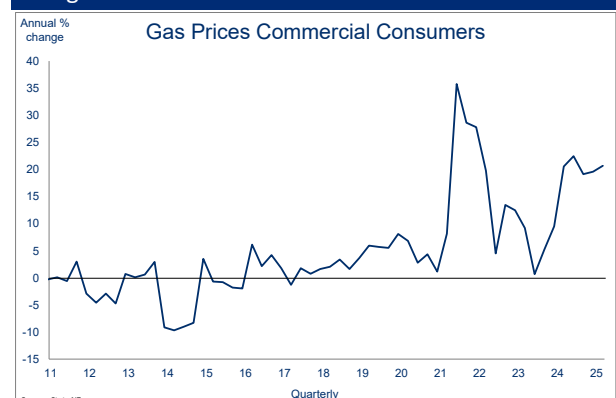
Close to average



NZ's largest export destination for wine



Rising cost



Contact Details

BNZ Research

Stephen Toplis
Head of Research

Doug Steel
Senior Economist

Matt Brunt
Economist

Jason Wong
Senior Markets Strategist

Stuart Ritson
Senior Interest Rate Strategist

Mike Jones
BNZ Chief Economist

Main Offices

Wellington
Level 2, BNZ Place
1 Whitmore St
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland
80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch
111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

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