Research

Manufacturing Snapshot

11 July 2025

Still in the red

This month's PMI adds to the swathe of data that is suggesting the New Zealand economy stalled in Q2. Sure, there was a small improvement in the headline index from 47.4 to 48.8, but it still sits firmly below its breakeven level. We are currently forecasting zero growth in June quarter GDP, with downside risk. The RBNZ's Kiwi-GDP calculations suggest -0.2% q/q. These manufacturing data will do nothing to assuage these views, nor do they temper our view that further rate cuts are necessary.

Signs of destocking?

Looking across the PMI sub-indices, they all remain well below their historical averages. Despite talk of an economic recovery, conditions are still very tough. The PMI stocks of finished products index fell from 50.8 to 46.9 and suggests some destocking is taking place. The PMI new orders index increased from 45.4 to 51.2. That is a move in the right direction. However, the lift in June only just does enough to offset its decline in May. This volatility highlights just how difficult it is for manufacturers to forecast their order book at present.

QSBO mixed

The latest Quarterly Survey of Business Opinion (QSBO) showed a variable outlook for the manufacturing sector. A net 20% of manufacturers expected better economic conditions in the next three months. However, hiring intentions remain subdued and are broadly consistent with the PMI employment index at 47.9. The latter indicates manufacturers shed labour, on net, in June. Lastly, the QSBO revealed a sudden deterioration in export demand, with a net 33% of manufacturers expecting export sales to worsen. PMI and QSBO respondents both noted that concerns around geopolitical conflict and trade tensions are weighing on demand.

Not all doom and gloom

Ending on a more positive note, hydro lake levels have nudged back above average for this time of year. They had been below 80% of their usual level only two months ago. This has seen a significant decline in wholesale spot power prices and allowed some major energy users to restart production. Lower energy input costs should be supportive of manufacturing activity and GDP more generally in the second half of 2025.

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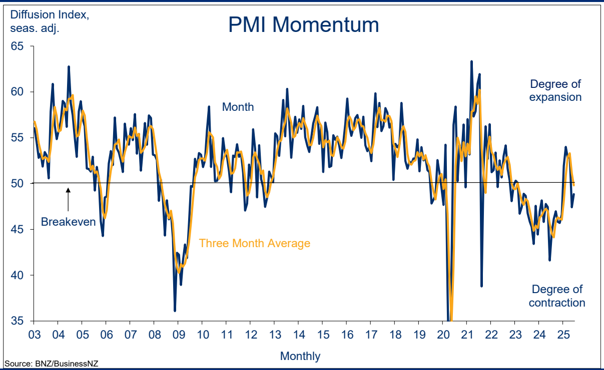
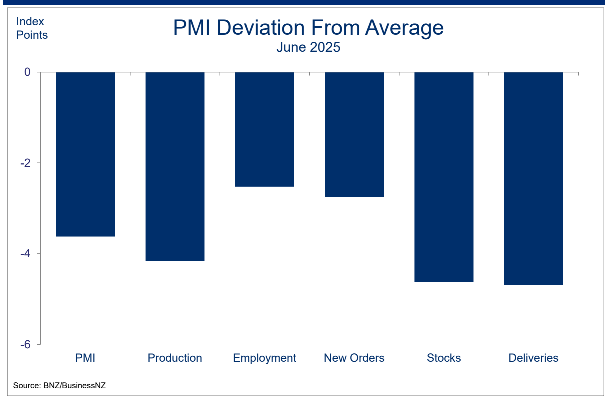
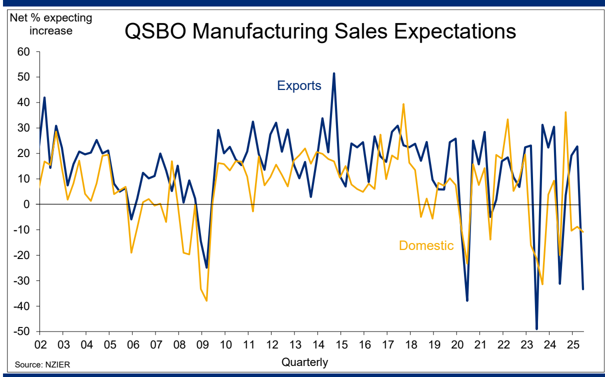
In contraction



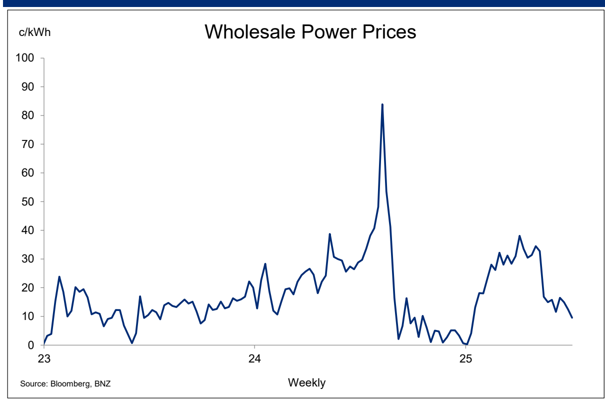
Soft across the board



Weaker exports expected



More like normal



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