bnz MARKETS

Research

Manufacturing Snapshot

9 July 2026

Manufacturing leap astounding

Leading indicators have been suggesting economic momentum is building in New Zealand. But we feared the enthusiasm expressed in those indicators might be fragile and take some time to feed through into actual activity. Indeed, there has been very little in the reported actual economic outcomes to suggest a genuine sense of economic improvement. Today's PMI reading may well be the kick start of that more positive data flow. And, frankly, we are staggered by the extent the Index has jumped. From a war afflicted seasonally adjusted low of 50.6 in April the index has surged to 59.7 in June to its highest level since July 2021, which was during the COVID economic bounce-back. Exclude this and you need to go back to May 2017 to get a better reading.

So good was the result we have been going through the detail with a fine-tooth comb in search of a reporting error but we can't find one. Every component that makes up the main index is now well above the 50 mark that represents the dividing line between contraction and expansion. New orders climbed the most between April and June and the critical production measure is also rising strongly.

The pick-up in employment is more modest but still represents genuine employment growth. Furthermore, the gap between production and employment may mean that existing employees are being more fully utilised not only improving manufacturing productivity but also reducing the fear of job loss.

Not only was the jump in the PMI experienced by all its components but, on a non-seasonally adjusted basis, every region, every business size and the clear majority of industry groups reported improvement. Not surprisingly, the South Island again outperforms the North. At the other extreme, the weakest industry was non-metallic mineral product manufacturing which provides the inputs to a languishing construction sector.

We are convinced falling fuel prices will have played a big part in the overall rise in activity but the impact of falling wholesale electricity prices on an energy intensive sector should not be overlooked.

While we are overjoyed with today's reading, we will need to see a repetition next month to be convinced of its veracity. Also, we are now waiting with baited-breath to see if the data for Monday's Performance of Services Index is supportive of a wider improvement in economic activity.

For now, though, we can add the June PMI to the increasing pile of data that suggests the economy is on the mend. It also provides some justification for the RBNZ's decision to begin moving the cash rate towards neutral.

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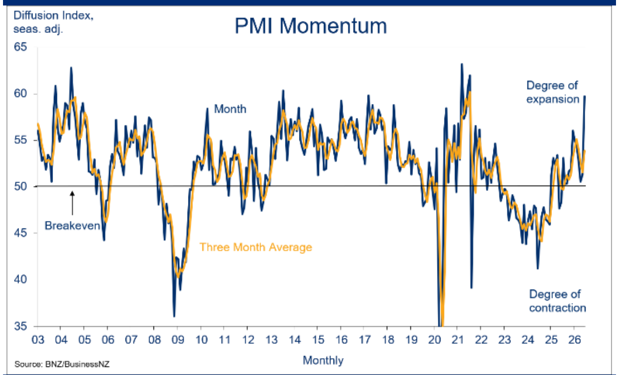
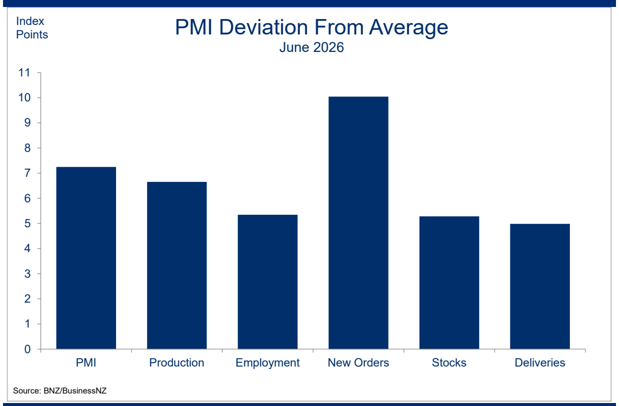
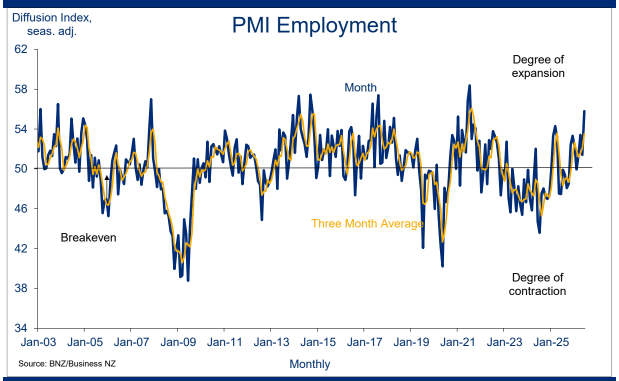
Really?!



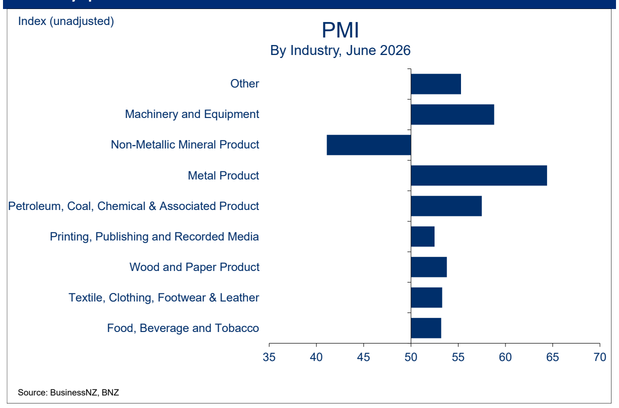
Widespread optimism



Job creation returns?



Mainly positive



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