

16 September 2022



PMI

Not content with bouncing back to near normality in July (53.5), the Performance of Manufacturing Index (PMI) nudged up to 54.9 in August. It was, strictly speaking, the best result since the hefty 62.5 of July 2021, just before Delta’s lockdowns spoiled things. New orders provided the biggest tailwind in the month. They shot up to 59.2 (from 50.9 in July), to be 4.2 points north of their historical average, of 55.0. Production (54.6), finished stocks (50.8) and deliveries of raw materials (53.7), all improved too, albeit to levels about typical in historical context.

Mixed messages on staff

While the general memo from August’s PMI was positive, there were mixed messages when it came to staffing. On a positive note, the employment index edged up to 53.6, from 52.9 in July, to be further above its norm of 50.7. It’s hard to understand where firms are getting the extra workers from, but this is what the results infer. At the same time, problems with staffing remained to the fore, judging by respondents’ feedback. Absenteeism is obviously still a big thing, as workers call in sick. Some of this might be mitigated, now household contacts of COVID-positive folk no longer have to self-isolate for 7 days.

GDP, Marsden Point, and all that

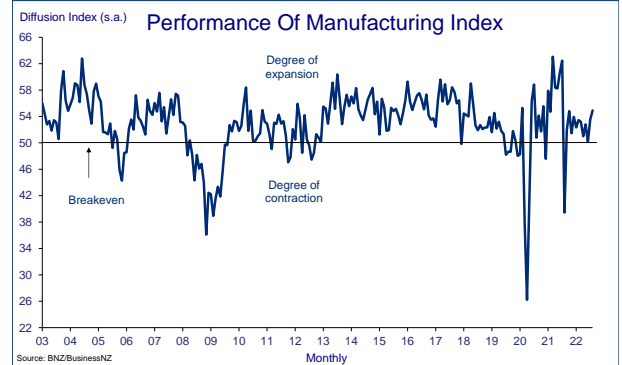
What about the 5.9% fall recorded in manufacturing activity in yesterday’s Q2 GDP accounts? Well, this was greatly affected by the Marsden Point facility shifting from being a manufacturer, to a wholesale distributor, of fuel. Excluding this twist, manufacturing activity was steady in Q2 GDP. That manufacturing production, in general, was holding its own in Q2, rather than drooping, was portrayed in the PMI readings for April May and June. And in July and August the PMI has moved on to suggest an improving tone around underlying growth. Throughout, there has been good support from food and beverage processing.

Global struggles

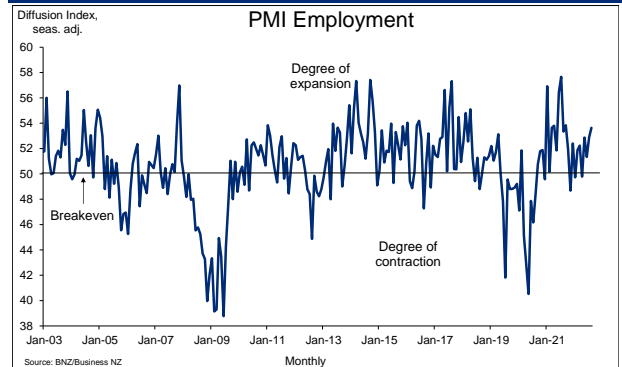
While the NZ PMI is looking perkier now, the same cannot be said for the manufacturing sector globally. In fact, the global PMI slowed further in August, to a bare 50.3, from 51.1 in July. This continues a deceleration that’s been in train since a high point above 60.0 around mid-2021, but which only became significant (in a below-trend sense) over the course of 2022. The good news is that the global PMI is not yet contractionary and is miles above the sub-40 levels that have tended to mark obvious recessions in the past. Still, it will bear monitoring in the months ahead.

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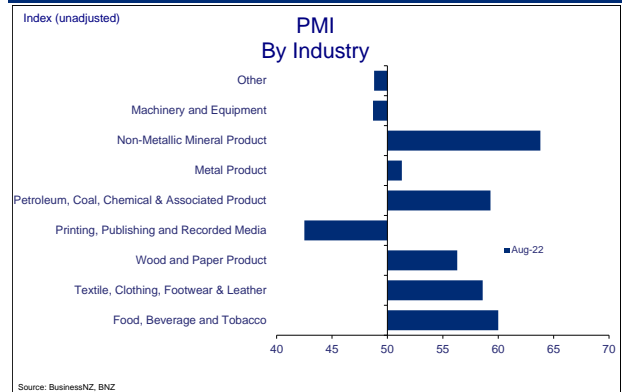
Better Still



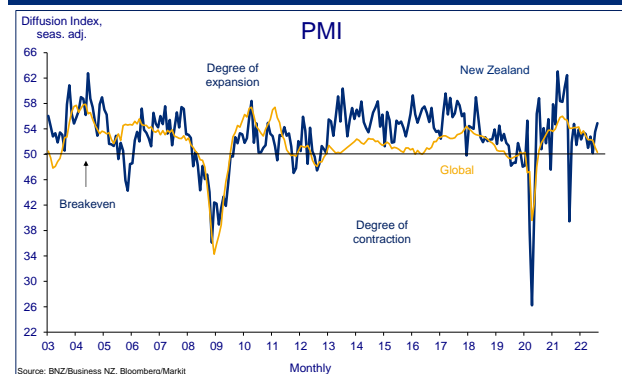
By The Numbers



Not Missing the Marsden Point Refinery



Outperforming Now



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