

14 October 2022



PMI

The Performance of Manufacturing Index (PMI) continues to be choppy month-to-month. After a decent push higher in August, up to 54.8, the PMI eased back to a slower pace of 52.0 in September. The overall trend remains positive, but with ongoing volatility around it. On the positive side, the PMI's 3-month moving average has continued to edge higher this month but, not so good, the 52.0 monthly reading is now back below the PMI's longer-term norm.

Demand and Supply

New orders stood out across the major components with the index falling heavily from a very strong 59.7 in August to an outright weak 48.4 in September. The production index slowed to 52.0 from 54.5. These September readings are both below their long-term averages and coincide with some respondents noting softening demand. On the supply side, many respondents noted ongoing issues with cost inflation and supply chains although there were more than a few that reported some bottlenecks unblocking. The index for both the deliveries of raw materials and stocks of finished products rose further above their respective long-term averages in September. This adds to the suggestion that there is some rebalancing of demand and supply underway, but it is difficult to be sure from one month's data. Employment remained robust and above its long-term average, although the index did ease to 51.9 in September from August's 53.6.

Global PMI Turns Negative

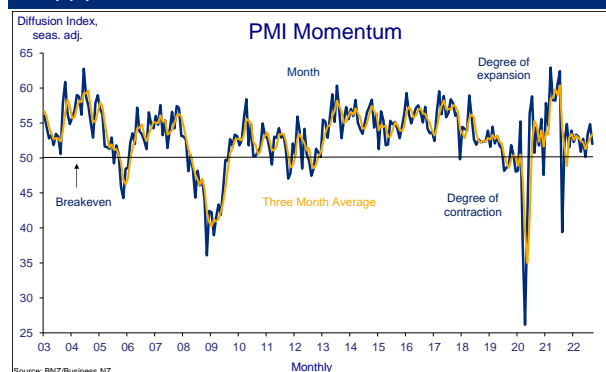
While NZ's PMI has remained positive, albeit choppy, that is not the case for the global manufacturing sector overall. The global PMI eased further to 49.8 in September, so dipping below the breakeven 50 mark for the first time since the pandemic's initial hit. It is currently not dreadful like back then, or during the GFC, but it continues to trend south reflecting the rising chance of recession. Weakness, on this measure, was most pronounced in the EU and UK both with readings of 48.4. Other countries like China, Australia, the US, and Japan kept their noses above 50 in September but have shown general softening recently.

That's Different

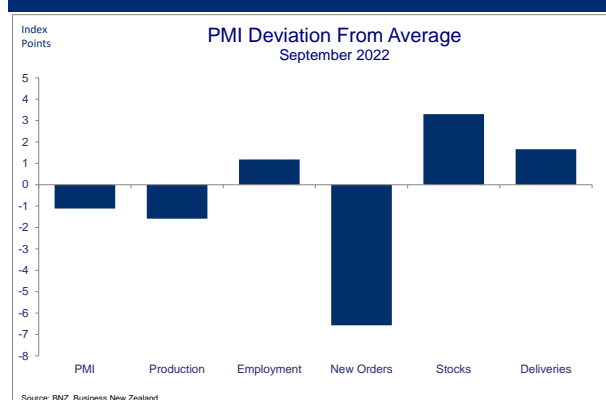
We don't know why, but it is interesting to note that large NZ firms recorded a very weak 46.3 PMI in September especially compared to a very strong 58.9 for micro firms. It goes against the general pattern over the past 2½ years when larger firms have tended to fare better. Maybe it is just monthly noise, but the difference is stark.

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Choppy



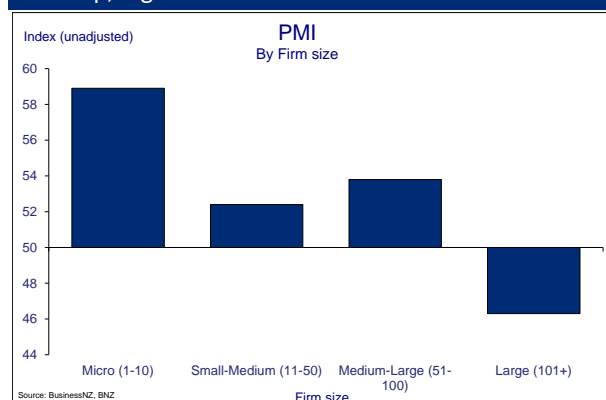
Under The Surface



Global Warning



Small Up, Big Down



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