

Manufacturing Snapshot

15 September 2023

PMI

New Zealand’s manufacturing sector seems to be in a fundamental flap. The Performance of Manufacturing Index (PMI) slipped further below the breakeven 50 mark in August, with a seasonally adjusted reading of 46.1. While it has been far worse, during past recessions, it also loses points for its latest composition. Preventing a bigger sag were inventories, which, at 52.1, were a touch above average. Employment, at 47.7, was 2.9 points below normal, while new orders, with 46.6, were a full 8.0 points shy of their trend. The biggest drag, however, was in production. At 43.9 in August, it was 9.5 points below par.

Manufacturing consent

How to reconcile the ongoing weakness in the PMI – it’s been below 50 since March – with indications that manufacturing output expanded sizably in the June quarter? The answer would seem to involve timing and measurement issues. Of course, we don’t yet know how manufacturing did in the Q2 GDP accounts, as they’re not due till next Thursday (21 Sep). But last week’s Business Financial Data certainly inferred a big increase in Q2 manufacturing output, alongside a rise in sales volumes, of 2.9%. For the most part, however, this would represent a rebound from weak results in Q4 and Q1.

Industries

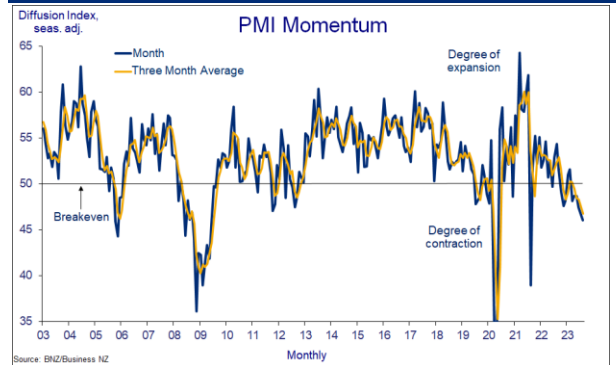
Also, manufacturing production looks as though it was strong in Q2 in part because of a spurt of food processing – in turn related to weather patterns over the first half of 2023. Sure, the food & beverage category of the PMI wasn’t exactly strong over the April-June period. However, in averaging 52.5, it was a good sight stronger than the 46.9 recorded by the overall PMI, over that time (all in unadjusted form). This food category, for the record, maintained its edge in August, with a reading of 51.6. Of the other 8 industry-based categories in the PMI, 7 of them registered below-50 results, to varying degrees.

Other detail

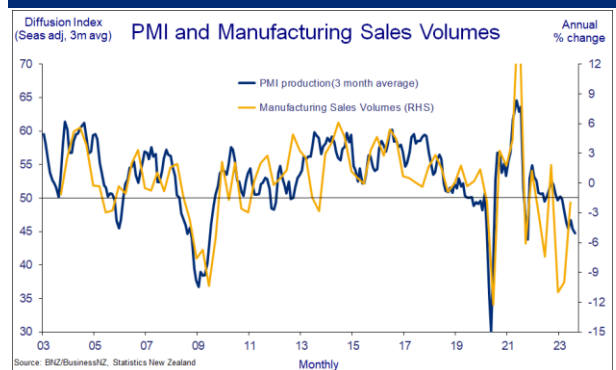
While New Zealand’s PMI is in “good” company internationally – with the likes of the US PMI languishing at 47.6 and the Eurozone PMI at 43.5 in August – there are local contexts to the weakness to appreciate as well. For example, the Central district was clearly the weakest link in August, with an unadjusted 39.2. Canterbury/Westland managed 51.8, while Otago/Southland also recovered a lot in the month, posting 52.5. Go the South Island. In contrast, there was a uniformity of below-50 results when the results were parsed by size-of-firm.

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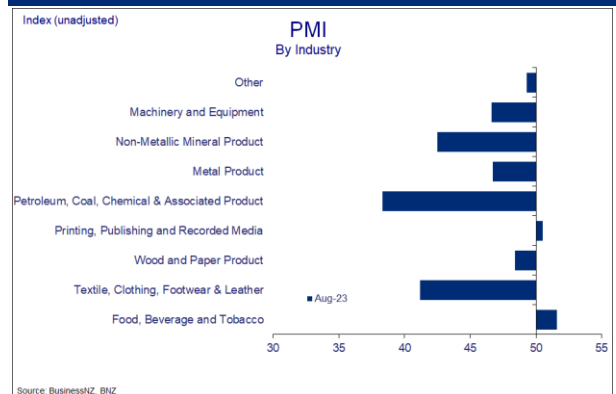
Down She Goes



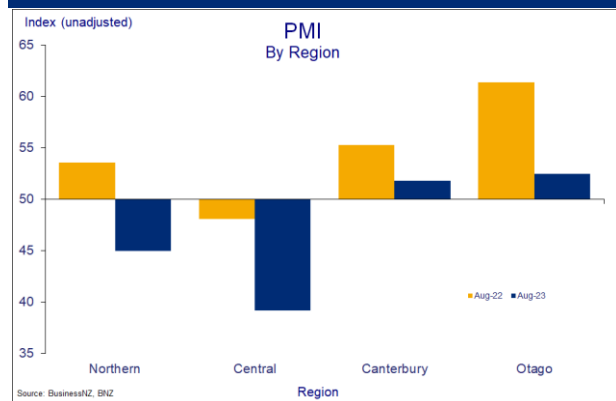
Production Pointer Poor



Food For Thought



South on Top



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