

Manufacturing Snapshot

10 March 2023

PMI

New Zealand’s Performance of Manufacturing Index (PMI) continues to dust off the negativity it displayed over the closing months of 2022. It nudged up to a seasonally adjusted 52.0 in February, from an upwardly revised reading of 51.2 for January. It’s been a New Year gearshift, out of reverse. To be sure, these are not what you’d call strong results – in total, and especially when delving into the details (see below). That said, February’s PMI, like January’s, did denote expansion, overall, and is not all that far shy of its long-term average, of 53.0.

Principal detail

As mentioned, however, the composition of the latest PMI continued to temper the positive headline result. For example, across the principal components, production, at 49.4, stumbled back into contraction territory, after a decent 52.0 for January. And while new orders did almost exactly the opposite – rebounding to 52.0, from 49.2 in January – it was well below its historical norm of 54.8. February’s reading on employment, namely 54.0, was significantly above its trend level of 50.7. As was the case for stocks (55.8) too, although it’s difficult to presume that as a positive thing, with production seemingly struggling.

Mixed from other angles too

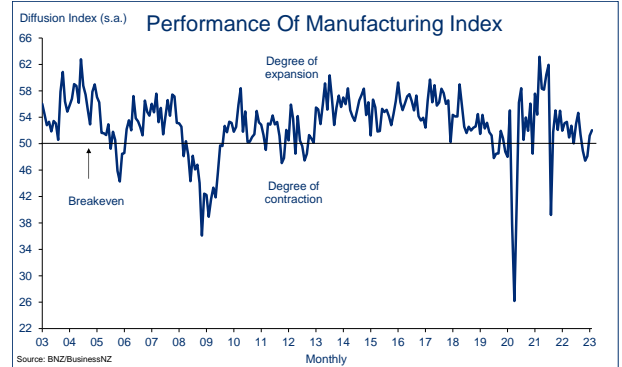
There were also mixed messages in the industry detail of the latest PMI. Four of the nine sub-groups were running below the 50-breakeven mark in February. While these measures are not seasonally adjusted, we note all were lower than they were in February of 2022. And of the industry improvers, printing, publishing & recorded media stood out by a mile, reaching 75.8, having been languishing at 22.5 February last year.

Regionally important reports

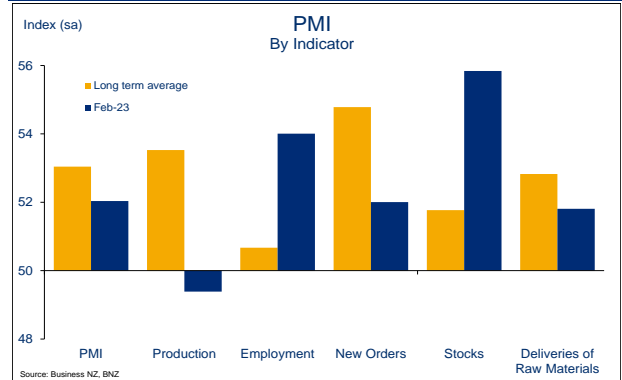
Of course, we need to be particularly mindful of the regional breakdown of the PMI now, given the disastrous weather that hit the upper and eastern parts of the North Island over the last couple of months. Referencing back to the late-January floods, which hit Auckland especially hard, it was interesting that the Northern category of the PMI was relatively flat for February, with 48.6. The Central region was distinctly weak, however, recording an unadjusted index of 42.2. This category includes Hawke’s Bay and Gisborne, which were most terribly impacted by the mid-February landfall of Cyclone Gabrielle. The PMI’s South Island representatives were positive for February.

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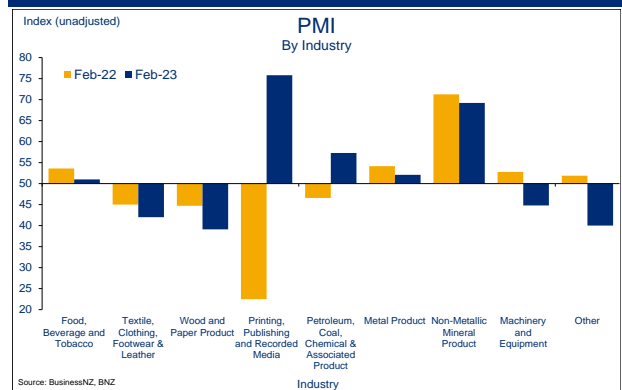
Gearshift Out of Reverse



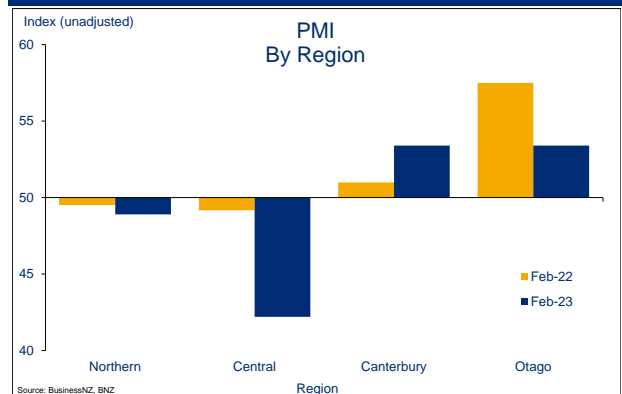
Unders and Overs



Industrial Evolution



Centrally Concerned



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