

# Manufacturing Snapshot

11 August 2023

## Manufacturing Under Pressure

The manufacturing sector is coming under increasing downward pressure. It is difficult to reach any other conclusion as the Performance of Manufacturing Index slips further below the breakeven 50 mark. July's 46.3 result might only be a point or so below June's 47.4, but it is the fifth consecutive monthly sub-50 reading and, outside of Covid lockdown periods, the lowest reading since the GFC days back in June 2009.

## Details

The details make for no better reading. July's weakness was widespread and pronounced across most of the major categories including production, employment, new orders, and deliveries of raw materials. All these components were well below 50 and even further back from their respective long-term norms. The exception was stocks of finished product with that index at 52.6. With new orders (at 45.0 in July) substantially behind the inventory indicator, it does not bode well for production ahead. The production index is already at a very low 42.9 and with inventories still building, the accumulating weakness will be one factor behind a soft employment reading in July at 44.3.

## Industries

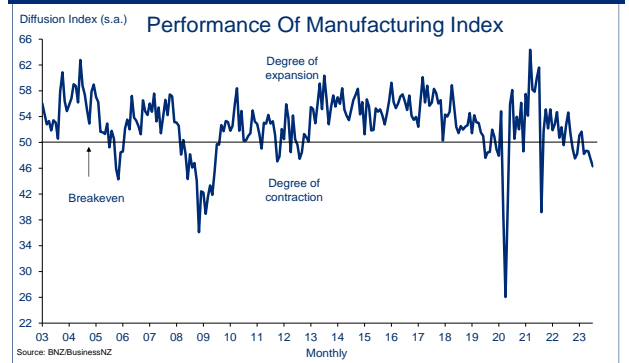
There was no joy looking across industries either. Indeed, every major industry saw their unadjusted PMI under 50 in the month (albeit only just for a couple of them). That is highly unusual. In fact, we have only seen that happen in one month before in the history of the PMI that dates to 2002 (the first Covid lockdown of April 2020). Not even during the GFC did all industries post sub 50 results in the same month. None of this bodes well for manufacturing's contribution to GDP growth into the second half of the year. That fits with our own economic views. It is not to overlook what we think was a positive Q2 GDP growth contribution from manufacturing, driven by strong food, beverage, and tobacco processing with meat and dairy indicators particularly strong. The food, beverage, and tobacco industry remained among the highest industry PMIs in July. But at 49.9 it shows there was little to beat.

## World

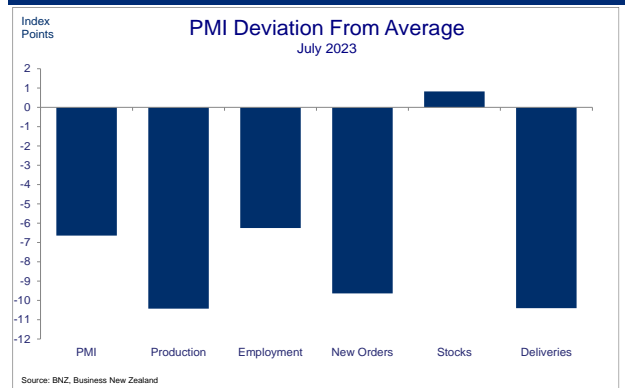
If there was a world cup for PMI's, NZ would struggle to make it out of the group stage. Not that the quality of contenders is very high – with manufacturing struggling around the globe. NZ's July 46.3 result is higher than the EU and UK, lower than Australia, China, and Japan, and virtually matches the US. Overall, NZ was a bit below the global average of 48.7 for the month.

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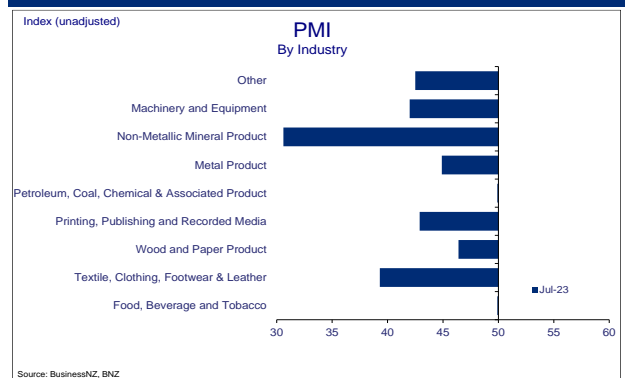
### Weak and Weakening



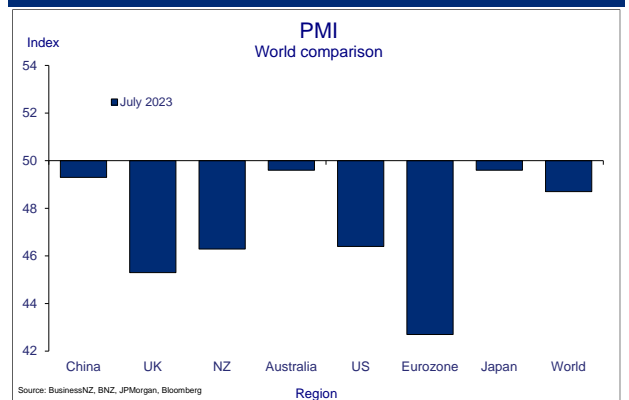
### A Lot Below Average



### Highly Unusual



### Not Unusual



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