

Manufacturing Snapshot

13 July 2023

PMI

New Zealand's Performance of Manufacturing Index (PMI) continued to struggle in June, subsiding to 47.5, from 48.7 in May. For a weaker reading one has to go back to August 2021 (39.0), when the Delta strain outbreak of COVID-19 invoked level-4 lockdowns. Sure, there would appear to be a global context to the weakness in manufacturing conditions of late. Even so, June's result kept the NZ PMI lower than its global PMI counterpart, which eased to 48.8.

Patchy like the QSBO

We did wonder if the NZ PMI was going to remain soft in June after last week's NZIER Quarterly Survey of Business Opinion (QSBO) showed patchiness amongst its manufacturing cohort. The QSBO certainly corroborated the weakness in the New Orders index of the PMI. The latter sank to 43.8 in June. In line with this, the QSBO pointed to manufacturing output decreasing markedly over the coming months. There was also a negative view, in the QSBO regarding recent staffing levels. This was mirrored in the PMI's Employment index, which softened to 47.0 in June, from 49.3 in May.

Q2 manufacturing activity?

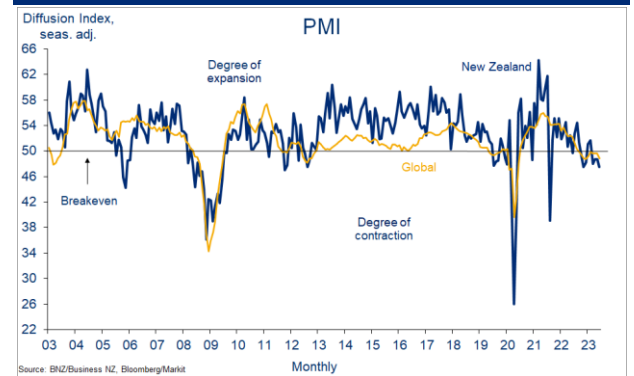
The PMI also sustained sub-50 readings on Production (47.5) – for the fifth month running. While this is a weak undercurrent, it might not mean another fall is on the cards for manufacturing activity in the Q2 GDP accounts. This is because there are signs food processing was unusually strong in the June quarter. Mild weather encouraged meat producers to keep fattening stock and yielded a late season fillip to dairy production too. In keeping with this, the Food & Beverage part of the PMI averaged 52.5 in the three months to June (one of only two to make it above 50 on that basis). While this is one of nine industry categories in the PMI, food and beverage is weighted at almost a third of NZ's manufacturing GDP.

Sundries

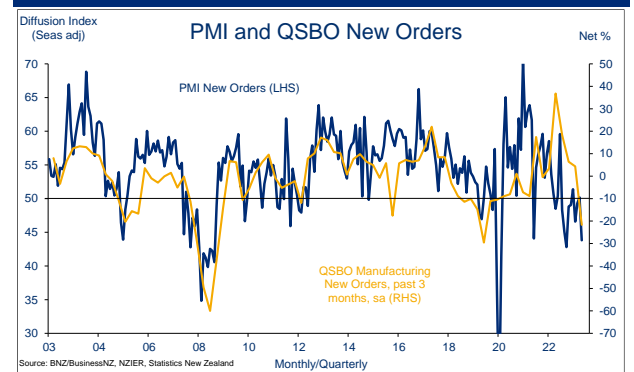
This feature for food manufacturing is mostly timing, however, and portends a correction in activity in Q3, back to trend. Underneath it all, June's PMI was not cheering. And it contained very mixed messages, in many ways. The biggest firms (by employee size), for instance, were struggling the most in June, recording an unadjusted 38.7, whereas the micro/SME sized firms were closer to stable (49.9/49.4). By region, Northern was the clear laggard, with a 40.8, while Central managed a creditable 52.0.

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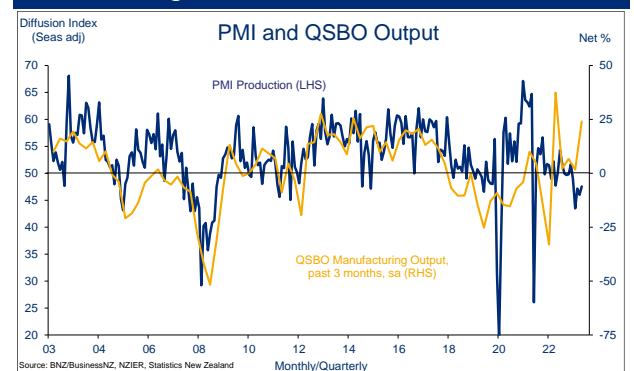
A World of Weakness



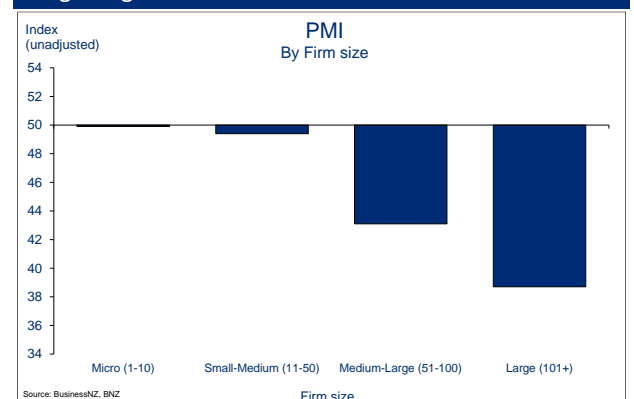
Not a Good Look



Food for Thought



A Big Weight



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