

Research

Manufacturing Snapshot

14 April 2023

PMI

The Performance of Manufacturing Index (PMI) stumbled back into mildly negative territory in March, with a seasonally adjusted reading of 48.1. This was after a tentative foray into the positive over January (51.0) and February (51.7). We noted in our report for February that the undercurrents weren't as encouraging as the headline result suggested. Our reservations appear to have been born out in March's outcome. Yes, there were references to negative impacts from the recent storms. However, the complaints went much wider than this, and to a range of issues now – not just supply/staffing problems as the crux.

Principal paucity

In terms of the regional results, Central, which includes the districts most afflicted by the recent storms – namely Hawke's Bay and Gisborne – logged an unadjusted level of 50.0, from 42.2 in February. Everywhere else fell below 50, and with Northern all the way down to 41.4. By industry, many were in the vicinity of 50.0 (breakeven). However, a 23.3 result for Textile, Clothing, Footwear and Leather pulled the average clearly below that. With respect to the main components, the print on Production (43.3) was, outside of pandemic lockdowns, the lowest since 2009. Employment also took a tumble to 47.1, from 55.2 in February, while New Orders sagged to 46.7, from 51.5.

QSBO

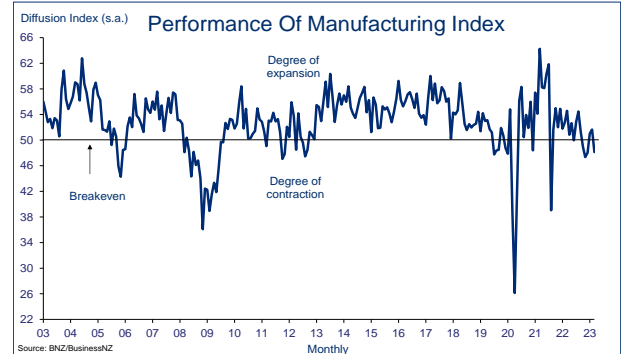
Manufacturers' responses to last week's NZIER Quarterly Survey of Business Opinion (QSBO) were also downbeat with respect to recent performance. This included: profits being assailed by cost increases running faster than prices were keeping up; overdue debtors arising as an issue; and inventory judged too high. However, things were relatively more encouraging when it came to the outlook amongst manufacturers in the QSBO – for output, employment, and investment. This gave the sense that firms are looking through the challenges underfoot, to better times hence.

Global reference

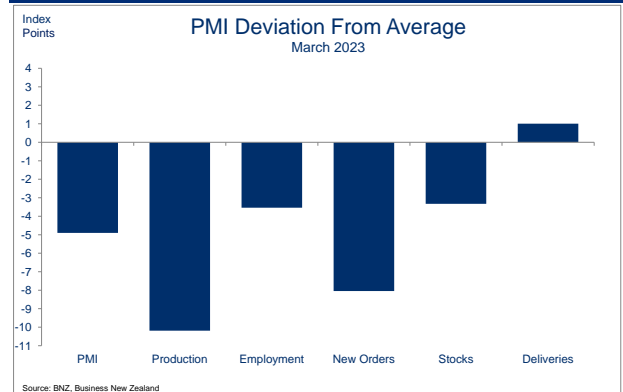
Disappointing as New Zealand's March PMI was, it wasn't especially negative in longer-term context. Neither was it much out of line with manufacturing readings across the world of late. The global PMI eased to 49.6 in March, from 49.9 in February, with a recovery in China (51.9) not enough to offset weakness in the likes of the US (46.3) and Europe (47.3). At the same time, the global services index (PSI) – which represents a far bigger portion of the world's GDP – strengthened to a punchy 54.4, from 52.6.

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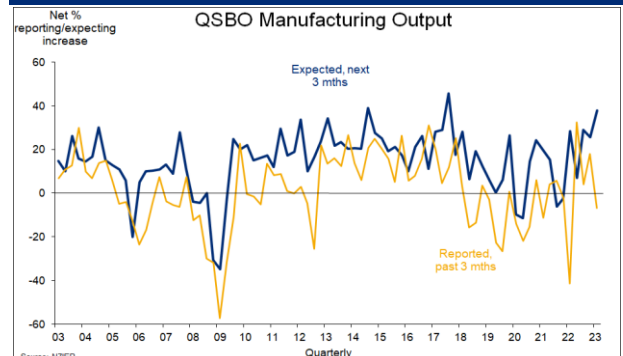
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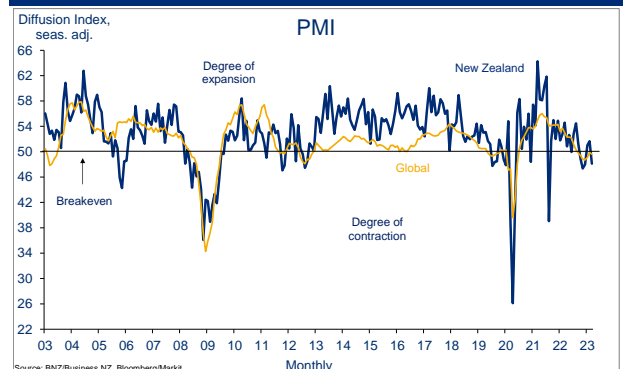
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