Research

Manufacturing Snapshot

15 June 2023

PMI

The Performance of Manufacturing Index (PMI) remained in slightly negative territory in May, with a seasonally adjusted reading of 48.9. It was the third month in succession it had run a bit below the breakeven level of 50. It was the ninth month in row it had printed beneath its long-term norm of 53.0. The broader struggle continues.

By region and industry

What's holding things back? Maybe the floods and storms of Jan/Feb are still projecting a dampening influence on the numbers. The Central region, which includes the most-impacted districts – namely Hawke's Bay and Gisborne – was certainly the weakest in May, with a reading of 45.5. Northern, which is dominated by Auckland, logged a not so bad 50.7. Looking at the PMI by industry, Textile, Clothing, Footwear and Leather was the frailest, at 41.0, closely followed by Metal Products, at 42.5. At the positive end of the spectrum was Non-metallic Mineral Product (55.6) and Machinery and Equipment (54.7). All unadjusted indices.

Main componentry

The range of results in the sub-components is mirrored in the breadth of issues manufacturers are now highlighting in the survey. Gone is the dominance of supply-side laments, especially regarding staff. But new negatives have arisen, for all of them to (still be) outnumbering the positive issues referenced. Regarding staffing, the PMI's Employment index almost stabilised, at 49.5, having dipped to 47.3 back in March. However, that might seem lax in the context of recently strong immigration. Similarly, New Orders nudged up to 50.8 in May, after plumbing 47.0 in March – but its average is 54.7. At least Stocks of Finished Products retained a middling message, with 51.5.

Production and GDP

The real sore point in the PMI is its Production index. This printed at a seasonally adjusted 45.7 in May, after 47.0 in April, and 43.4 in March. To be fair, this might be tied to the coincident weakness in the Deliveries of Raw Materials index, which sagged to 46.0 in May. In any case, these results are a signal that the 1.1% contraction reported for manufacturing activity in yesterday's Q1 GDP accounts might not be the end of it. Yes, that result meant an annual decline of 9.1% - but most of that reflected the shutdown in New Zealand's oil refinery at Marsden Point in Q2 2022. It's really the next quarterly move in manufacturing GDP we're focussed on, which the PMI is not encouraging on.

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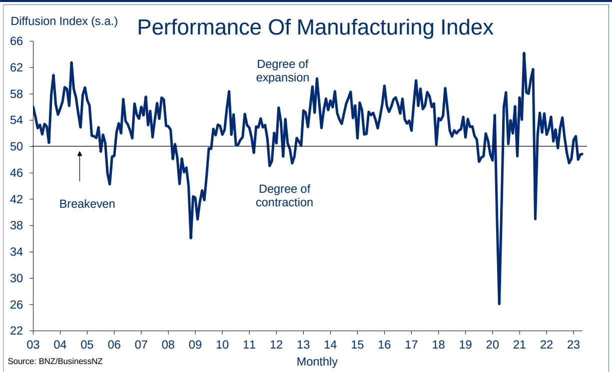
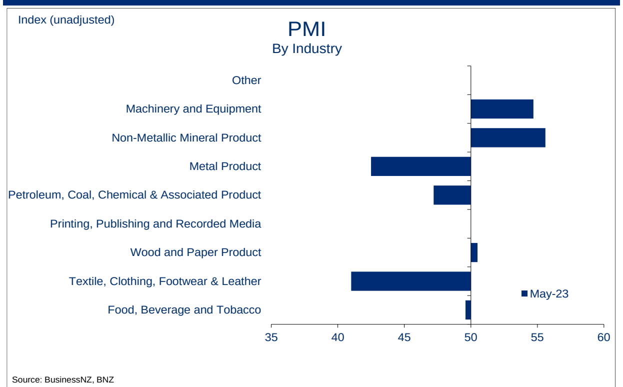
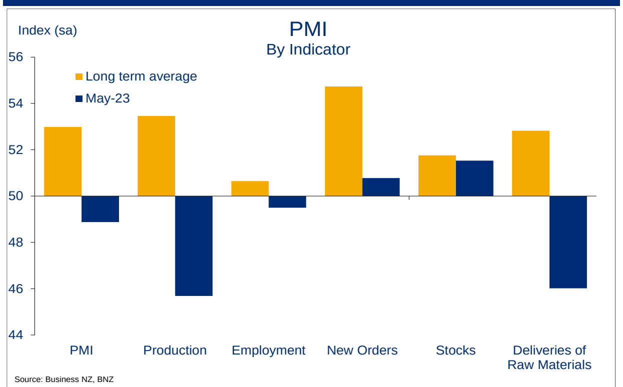
Still Struggling



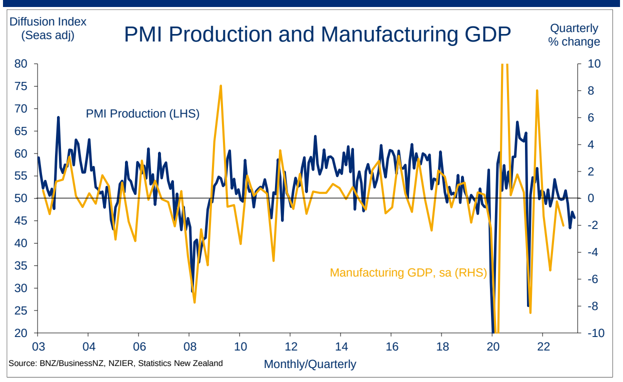
Mixed



Hits and Misses



Negatively Inclined



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