

# Manufacturing Snapshot

13 October 2023

## Underperformance

The Performance of Manufacturing Index (PMI) has made relatively grim reading for months. September was no exception. While its 45.3 reading was only marginally lower than August's 46.1, it is another month well below the breakeven 50 mark where it has been now for seven consecutive months. The trend remains firmly downward. It is a poor signal for the likes of manufacturing GDP growth. It is always difficult to know the precise drivers of any particular PMI result but judging by respondent comments falling sales, rising costs, and election uncertainty are currently all part of the mix.

## Details weak

The PMI's major components reflect the current challenges – many are well below long term norms. Take the new orders index for example. At a low 44.9 in September, it is nearly 10 full index points below its average in a clear sign that demand is softening. The production index is similarly weak. At 44.6, it is nearly 9 index points below its respective normal. The only major index that is close to its long-term average is stocks of finished products. However, the new orders to stocks ratio remains an adverse signal for production ahead.

## Labour demand softening

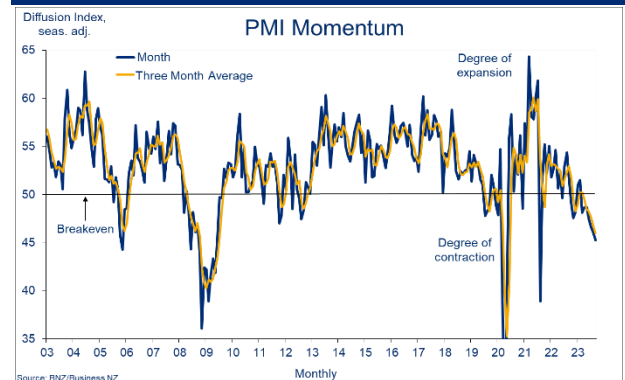
PMI employment has slipped a bit further to 45.2 in September taking its three-month moving average to 45.9. This is not a good look for manufacturers' demand for labour. This suggests some downside risk to manufacturing employment, although history shows this indicator tends to have a stronger relationship with paid hours rather than numbers employed in the manufacturing sector. Softer labour demand fits with indicators from the Quarterly Survey of Business Opinion showing manufacturers' labour constraints have eased over the past six months.

## Global

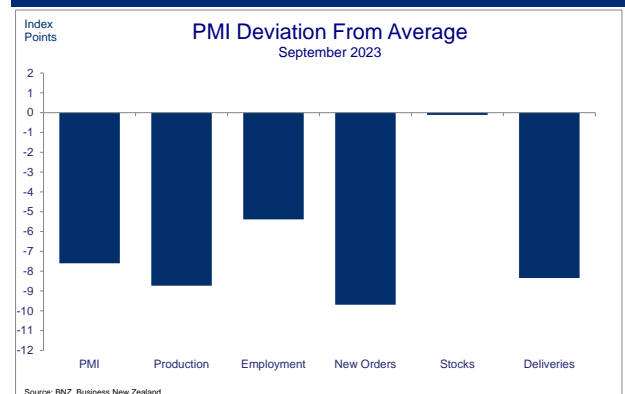
It is no secret that PMIs around the world have been generally struggling for some time. After broadly matching this tendency, albeit with, not surprisingly, more volatility – NZ's PMI has moved more decisively lower over recent months relative to the global index. In September, NZ's 45.3 compares to the global reading of 49.1. One can only wonder if the widening gap reflects rising reservation on that part of local manufacturers as NZ's election approaches, or something else.

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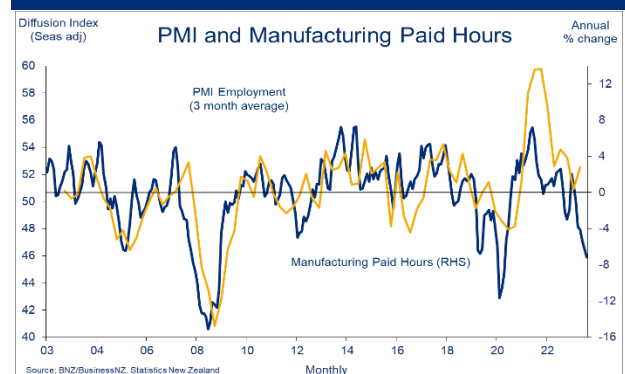
### Trending Lower



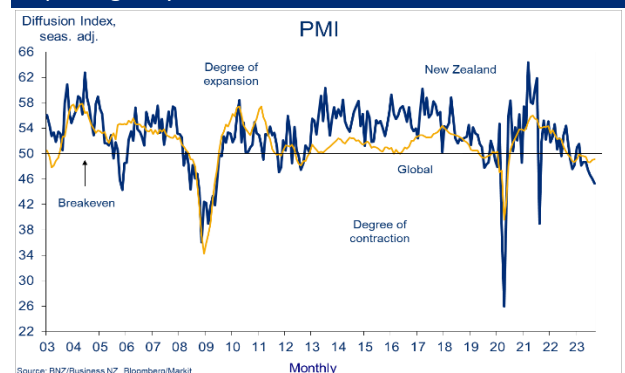
### Well Below Average



### Less Work



### Departing Ways



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