Manufacturing Snapshot

10 May 2024

PMI yoyo

The Performance of Manufacturing Index (PMI) has been a yoyo this year, albeit continuously below the breakeven 50 line. April was a relative up month. Let’s call it better, but not good. Better because April’s 48.9 was higher than March’s 46.8. Not good because the PMI remains below 50 indicating contraction continues in the manufacturing sector – as it has for 14 consecutive months now. April’s relative lift might be as much a result of coming out of a suppressed March due to the timing of Easter, rather than any fundamental improvement. The PMI this year to date is consistent with manufacturing GDP trailing year earlier levels. However, the details were a bit more mixed in April, rather than uniformly weak as has been the case over recent months.

Better

Two better-looking aspects of April’s PMI were production and employment. The production index rose to 50.8 from March’s 46.0. It is notable that this is the first time the production index has pushed above 50 since the beginning of last year. Even if it was flattered by the timing of Easter, it is still good to see a figure on the right side of 50 for a change. Employment also rose in April, with the PMI index lifting to 50.8 and recovering some lost ground implied by March’s 46.8.

Not

In contrast to improvement in production and employment, new orders remain exceptionally weak. April’s new orders index, at 45.3, remains well below breakeven and even further behind its long-term average of 54.3. It fits with the idea that demand headwinds remain intense and multifaceted. Construction activity is falling. Pressure on household budgets and a softening labour market has reduced purchases of durable goods. Corporate profitability has been under duress, leading to reduced capital expenditure and intentions to invest. High interest rates have restricted expenditure on big ticket items. Such factors have seen significantly lower demand for many manufactured goods as reflected in ongoing weakness in new orders. Demand weakness is also reflected in recent sharp reductions in both consumption and capital goods imports. With new orders still very weak, and especially with an accompanying nudge higher in the PMI inventory index, it calls into question the sustainability of the bounce in this month’s production.

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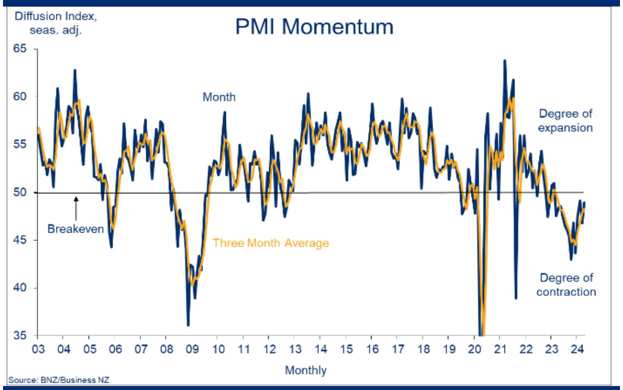
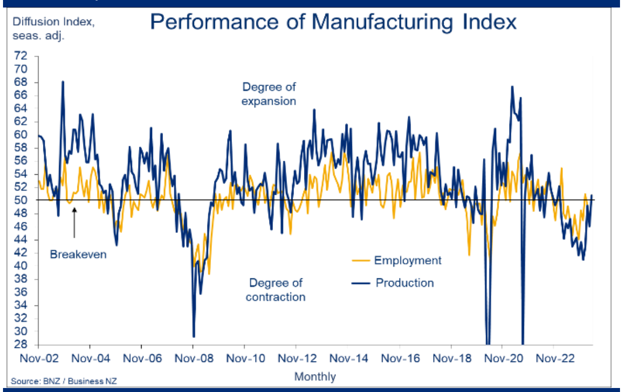
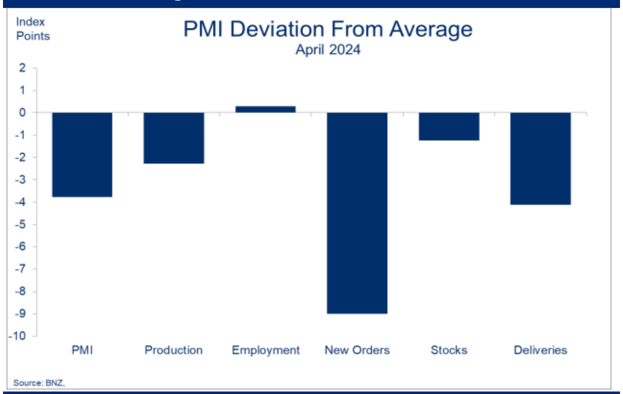
Bouncing Around Under The Line



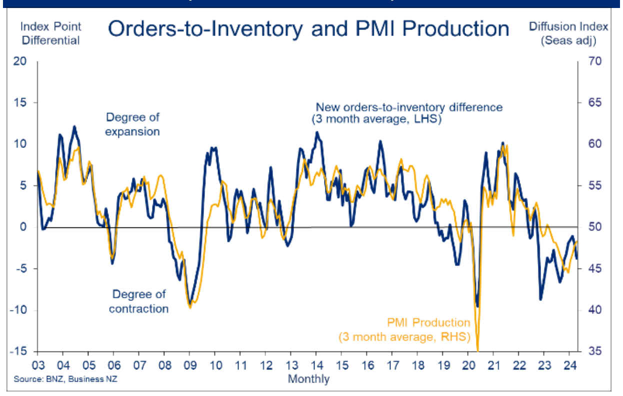
A Tick Up



Demand Lacking



Orders, Inventory Headwind to Output



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