

# Manufacturing Snapshot

16 February 2024

## Less weak

The Performance of Manufacturing Index (PMI) sort of looked a bit better in January as it lifted to 47.3 from December's 43.4. But it is better described as less weak. After all, in being below the 50 mark the PMI indicates a manufacturing sector that is contracting. It is at a slightly slower pace into the New Year, but January's result is the 11<sup>th</sup> consecutive month of contraction.

Clear PMI weakness remains in construction related activities. This follows from a range of building indicators softening over the past year or more. Take concrete production for example. Recently released figures saw a near 5% reduction in concrete production in the final quarter of last year, after adjusting for usual seasonality. The drop represents a reacceleration of the downtrend that has been evident for two years. Production in Q4 2023 was more than 12% lower than a year earlier. Outside of Covid lockdown quarters, the level of concrete production is at its lowest level since 2016. Building consents tell a similar story. The number of residential building consents in the final three months of last year were down all of 27% on the same period a year before. Activity might not fall quite this much given that it didn't (or couldn't, given previous resource constraints) follow the prior extreme highs in consents. But the direction of travel is clear. Meanwhile, non-residential building consents over the same period are down 24% on a floor area basis.

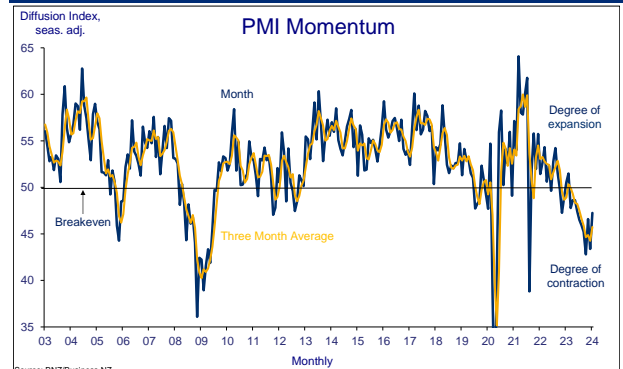
This all fits with our long-held view that building activity in NZ is under downward pressure. Persistent well below 50 readings for construction related industries like non-metallic mineral product and metal manufacturing is understandable in this context.

## Not all bad

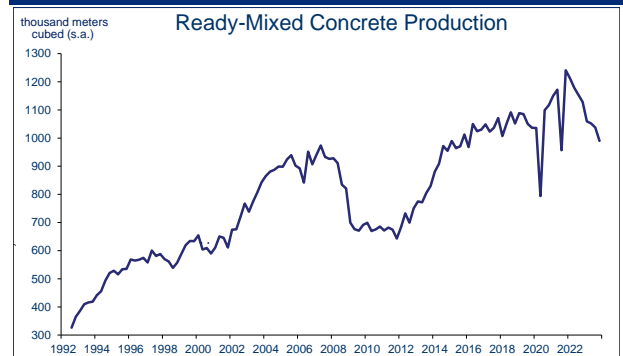
Today's release did have a couple of positives. Food processing remains expansionary, with signs primary production has so far largely skirted the potential ills of El Nino. Across components, employment stood out like the proverbial with a poke back above 50. This is at odds with deeply negative production and demand indicators like new orders. The whiff of more employment in the PMI might reflect better access to staff, with manufacturers reporting in the latest QSBO that labour is easier to find. This suggests less pressure on resource to produce what is required, a similar message from expected overtime in the same survey pushing below its 10-year average.

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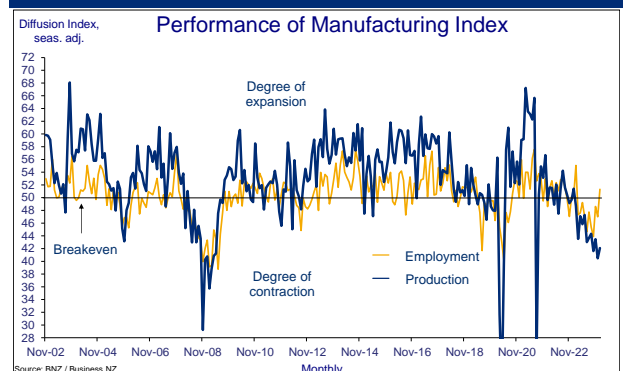
### A Wriggle Upward, From Lows



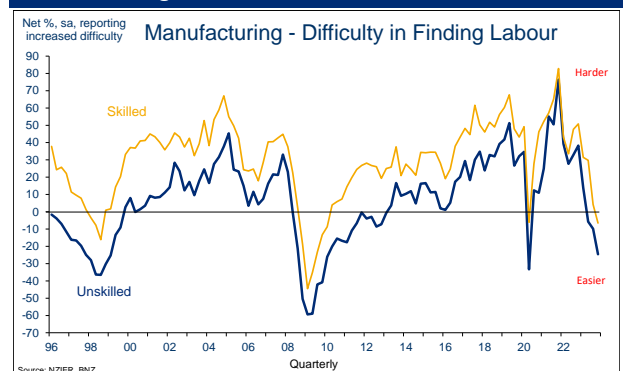
### Concrete Falling



### Unusual



### Marked Change



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