Performance of Manufacturing Index

16 February 2018

The PMI

Like a professional footballer, New Zealand's Performance of Manufacturing Index (PMI) has recovered remarkably well after taking a dive. The dive, of course, was to a barely-expansive level of 51.1 in December, after riding high in November, at 57.6. The recovery is in the PMI getting right back up to a seasonally adjusted 55.6 in January. It isn't clear from respondents' comments what has driven the volatility of late. But the component indices are telling. To wit, new orders rebounded to 55.6, from having slumped to 49.7 in December. This is consistent with the idea that, with government in transition, firms deferred some of the calls on big-ticket expenditure, until after the luxury of the festive break.

Employment

Local manufacturers didn't seem to have the luxury of deferring decisions on hiring labour, however. The employment index of the PMI pressed forth at 52.5 in January. This is after having held up relatively well in December at 51.5 (above its long-term norm of 50.7). Jobs growth in the manufacturing industry was certainly good with reference to the filled-jobs data of the Quarterly Employment Survey – namely an expansion of 1.9% in 2017 after contracting 0.9% during calendar 2016. The Q4 Household Labour Force Survey amplified this message. It registered a 4.6% increase in manufacturing employment in 2017, after a 5.5% decline the previous year.

Agriculture

While January's PMI outturn is obviously encouraging we remain conscious of vulnerabilities on the food processing side of things. This, in turn, relates to the weather. And not just the extreme "dry" that took hold of the country late last year, which invoked some early meat processing and dented dairy output. Even with the abundant rains in the New Year, accompanying record-high temperatures have not been conducive to a decent bounce-back in milk production. At face value, the Food and Beverage component of the PMI looked so-so in January, at 53.5. However, when we seasonally adjust it we get a stronger pulse. How long can that last, is the bigger judgement.

Global

While the NZ PMI has led the world for the last 5 years or so, the global PMI has now pretty much caught up. The latter was a seasonally adjusted 54.4 in January – hardly different to the 54.5 result of December, which was, in fact, the swiftest since 2011. This coincides with a much more concerted impetus to global growth now – after a relatively slow and disjointed 2016. In particular, the sustained heights of the global PMI suggest the international investment cycle is clicking into place, after a long period of reluctance. This promises to self-sustain the global economic expansion and should be good for manufacturing industries, New Zealand's included.

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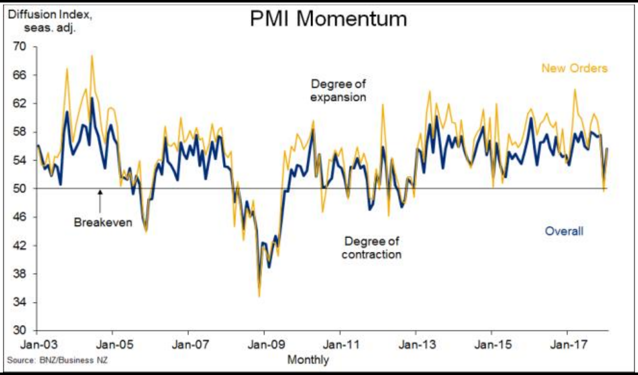
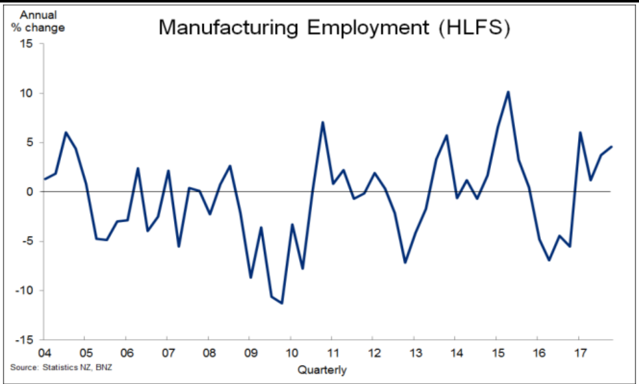
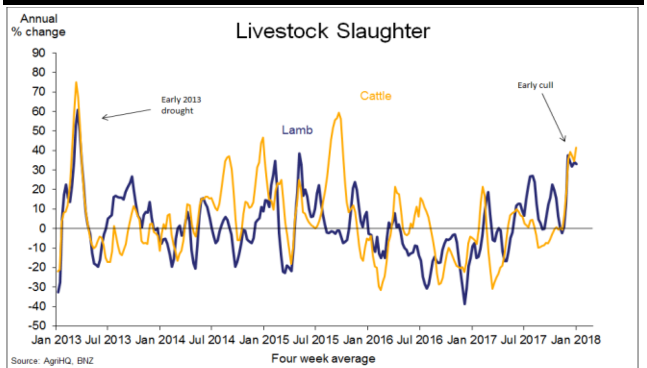
Order's Restored



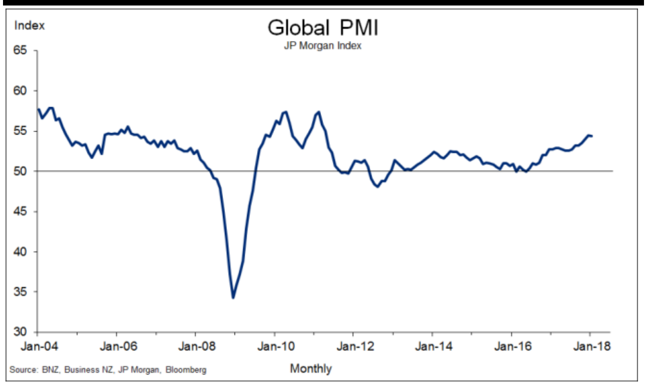
Staff Wanted



Weather Impacts Set in Train



Global A Go-Go



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