RESEARCH
Manufacturing Snapshot

12 April 2019

The PMI

Depending on your perspective, NZ's Performance of Manufacturing Index (PMI) was either doing it tough in March or toughing it out relatively well. Its seasonally adjusted index certainly slowed, to 51.9 – from 53.4 in February (which just happened to be the long-term norm). There were still indications of inventory indigestion, but arguably not as obvious as in February. Still, new orders (52.5) and production (51.4) were running below par, as were deliveries of raw materials (52.3) to some degree. In contrast, the March PMI had an above-trend employment index (51.9). The NZ PMI was doing relatively well, broadly speaking, in a global context (more on that below).

QSBO

That New Zealand's manufacturing industry was toughing it out, was also the memo from the latest NZIER Quarterly Survey of Business Opinion (QSBO). Sure, it found manufacturers decidedly downbeat about the general economic outlook. However, when it came to own-activity, the QSBO showed manufacturing more mixed than it was negative. Interestingly, the sector's export indicators have been holding up better than their domestic pointers. Investment intentions, meanwhile, have broadly recovered since a very weak spot back in Q3 2018, and inventory looked to be under control (although overdue debtors were creeping upwards, as something to watch).

Capacity/Pricing

QSBO indicators on manufacturing capacity and inflation were also mixed. For the NZIER measure of capacity utilisation, CUBO, it came off the boil a bit further in Q1 – although at 90.9% was still above average. In sharp contrast, difficulty in finding staff was getting ever more severe. It's hard to keep expanding output when there is an intensifying lack of labour, and turnover indicators in the QSBO have become high. On the inflation side, there is certainly a lot of this coming through costs – both experienced and expected. Yet pricing indicators remain moderate. This is reflected in weakened profit gauges.

Global

Slow as it might appear, New Zealand's PMI of 51.9 in March was certainly doing well in a global context. Of all the deceleration that has occurred in the world economy over the last 6-12 months, manufacturing has been at the forefront. This has been tied to a rocky patch in cross-border trade, and a reservation regarding investment – all aggravated by unresolved "trade tensions" and uncertainties between major countries and blocs. For reference, the global PMI came in at 50.6 in March – so barely above the breakeven mark of 50 which demarcates expansion from contraction. Still, this was a stabilisation from February (also 50.6) and well clear of the 34.3 level in plumbed during the worst of the GFC.

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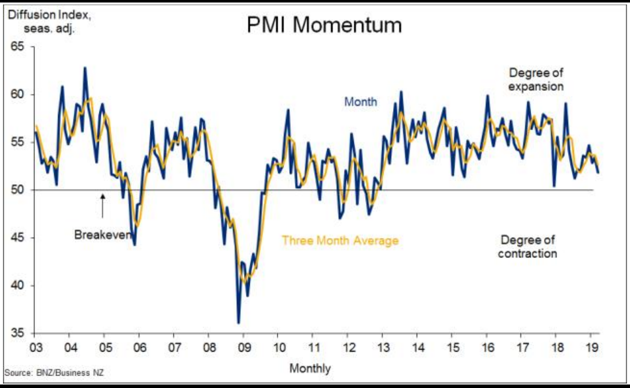
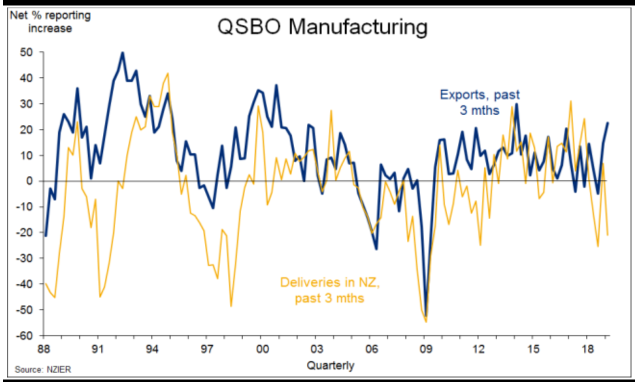
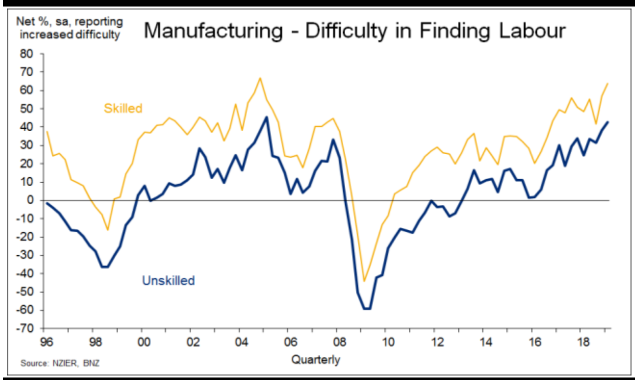
Hanging in There



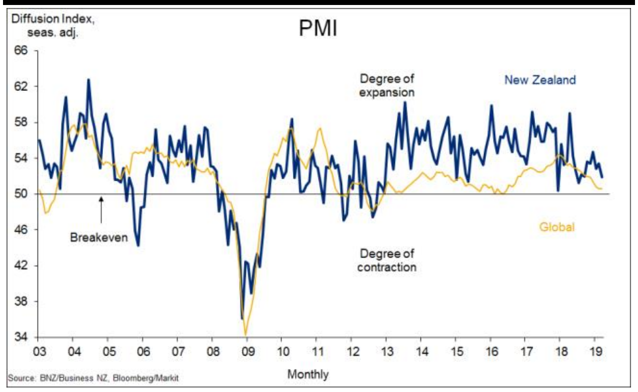
Up and Down



Look No Further



Not The End of The World (As We Know It)



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