Manufacturing Snapshot

13 March 2020

The PMI

Who would have guessed? New Zealand's Performance of Manufacturing Index (PMI) rose to 53.2 in February, from 49.8 in January. This puts it essentially at its long-term average. This was broadly true of all the principal components as well. Production lifted to 53.6. Employment rebounded to precisely its long-term norm, namely 50.6. The most encouraging aspect of the PMI – considering the global ructions beginning to emerge in February – was arguably its new orders. These gained to 55.3, from 50.9 in January. And with widespread reports of supply-chain disruptions around the world, it was also interesting to see the PMI's Deliveries of Raw Materials index had picked up to 53.1, from 47.7.

To be sure, the forward-looking (expectations) indicators, more and more, are taking precedence. As they should, considering the global economy is being increasingly impacted by the coronavirus. This is as we do our best to gauge the extent, and duration, of the slowdown the New Zealand economy surely faces. Having said this, the PMI indices, in being based on outcomes rather than conjecture, are still worth keeping tabs on (partly as a guide to immediate performance). In February's PMI for New Zealand at least, there was a curious sense of resilience.

Further Details

By industry, the only one that was below the 50-breakeven mark in February was Textiles, Clothing, Footwear and Leather (although note these indices are not seasonally adjusted). The category containing Food and Beverages had its own good news, in that it nudged up to 51.4, from 46.0 in January, even with drought making its presence felt in many parts of the country.

By firm size, all four categories were above 50 in February. However, medium-to-large firms – those with between 51 and 100 employees – were leading the way, with a reading of 58.2. We can imagine firms of all sizes will face testing times ahead, especially around cash-flow.

Global

The global malaise was clearly pinpointed in China's PMI for February. At 35.7, from 50.0 in January, it proved far worse than the market was bracing for. While there are early signs that China's economic activity is beginning to recover, the focus is now shifting to other parts of the world – notably Europe and the United States – where COVID-19 infections are taking hold. To help gauge the economic impacts, the PMI-type indices will give some form to the various partial indicators and anecdote. There is of course plenty of room for falls in the case of Europe and the US, given their PMIs were a respective 49.2 and 50.1 for February. And that's not to overlook other regions of the world, including Asia ex-China, to get a handle on the extent of the international downturn upon us.

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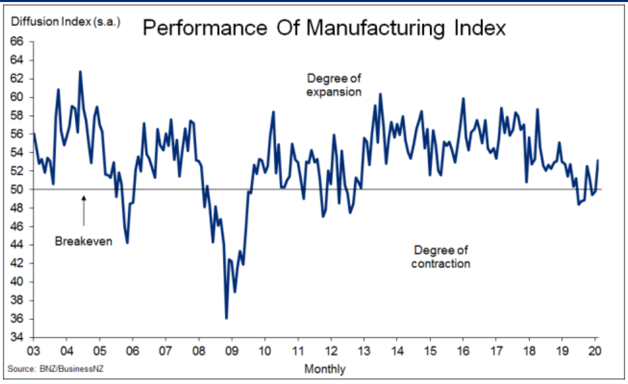
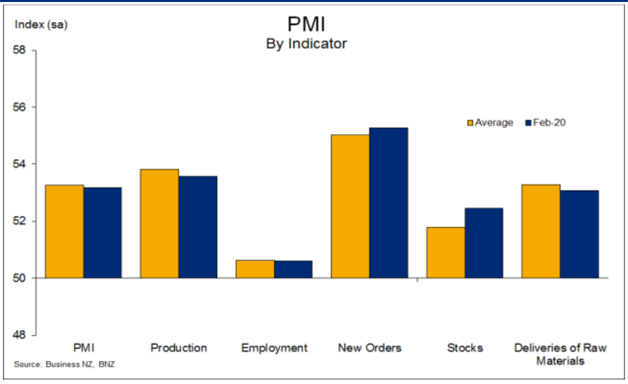
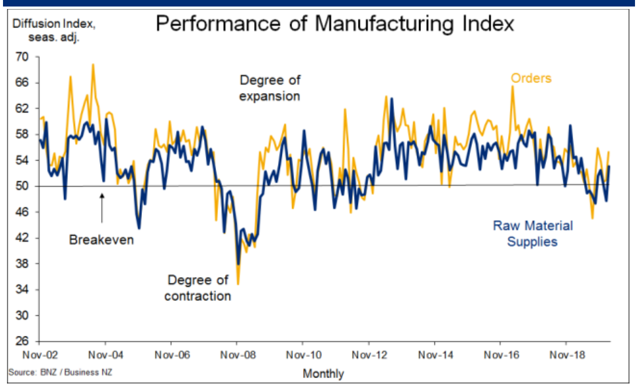
Amazingly Average



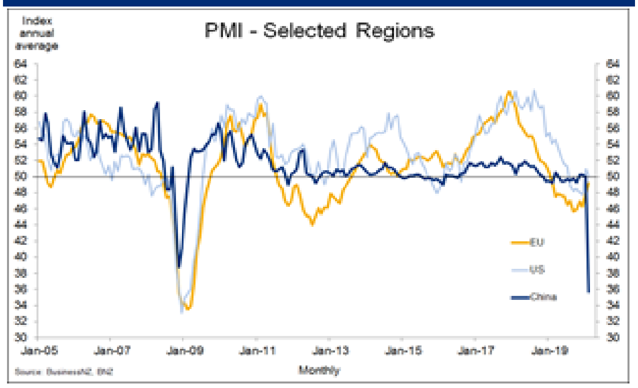
(Abnormally) All About Normal



Monitoring for Supply-Chain Problems



The Next Shoes To Fall?



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