RESEARCH
Manufacturing Snapshot

12 February 2021

PMI

The Performance of Manufacturing Index (PMI) roared back to positivity in January, with an index reading of 57.5. This was a far cry from the 48.3 it stumbled to in December. The 3-month average to January was 53.6, slightly above the long-term norm (53.0). January's improvement was also encouraging in its composition. New orders led the way, in jumping to a very strong 62.4, from the 50.3 they near-stalled at in December. Production wasn't far behind the pace, with a lift to 59.1, from 52.3 in December. The employment index of the PMI was also a good chunk above trend, coming in at 55.4. Stocks of finished products (52.5), meanwhile, were close to average, while deliveries of raw materials (48.7) were still clearly below normal.

Seasonality

This variety of movement and levels in the sub-components argues against the notion that the big down and up in the overall PMI over December 2020 and January 2021 might reflect difficulties in the seasonal adjustment method in dealing with (i) the stop-start episodes we've seen on account of COVID-19 and (ii) the fact that as there was no survey conducted for March 2020, with that month's numbers made to be the average of the February and April results. If a seasonal adjustment issue was significant, based on these factors, we might have expected to see it riven right through the component detail of the PMI. That was not the case in the principle breakdown (as outlined above).

Sub detail

The other reason to trust the down and up in the seasonally adjusted PMI over December and January is simply that the unadjusted (raw) series echoed a similar thing, when compared to respective year-ago levels. The unadjusted PMI typically falls in January, to a relatively soft level, when compared to December. However, in January 2021 it jumped to a level (53.8) substantially higher than it was in January 2020 (44.0). Even so, the sub-detail was mixed. By firm size, there was a very clear message of the bigger the better – traversing an unadjusted 49.4 for micro firms to 65.3 for large firms. By industry, Non-metallic Minerals was doing best (at 70.0), with Wood & Paper (62.9) next best and bringing up the rear were Printing, Publishing and Recorded Media, and Machinery & Equipment manufacturing (each on 48.1) – all unadjusted figures.

Global

Of course, it's good to see New Zealand's PMI bounced so much in January, to such a strong level. However, we need to be careful about presuming it must therefore be doing far better than PMI's globally are at present. To be sure, many economies abroad have been struggling under rolling lockdowns, on account of COVID-19 flare-ups. The press coverage has certainly portrayed a bleak picture. But, for the record, the global PMI came in at 53.5 in January. While this was behind the NZ monthly result of 57.5, the 3-month average is very similar on comparison.

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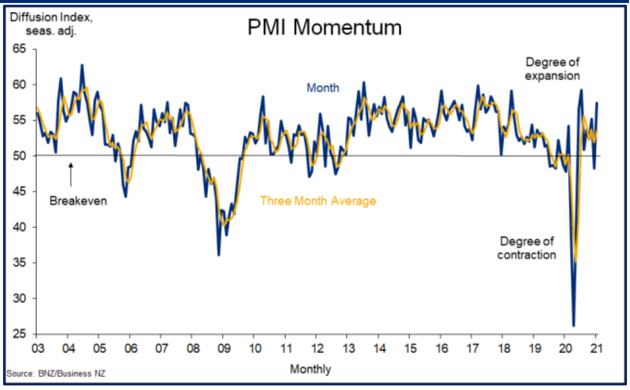
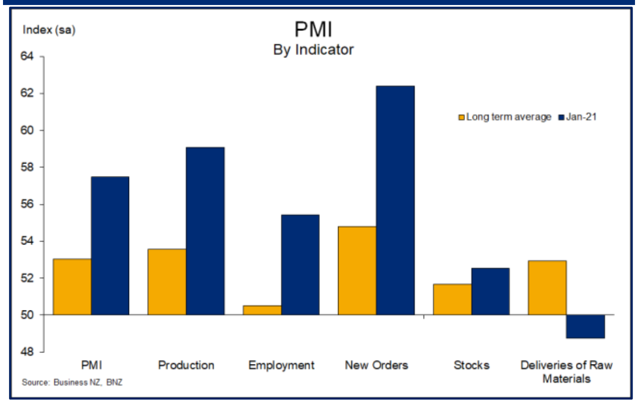
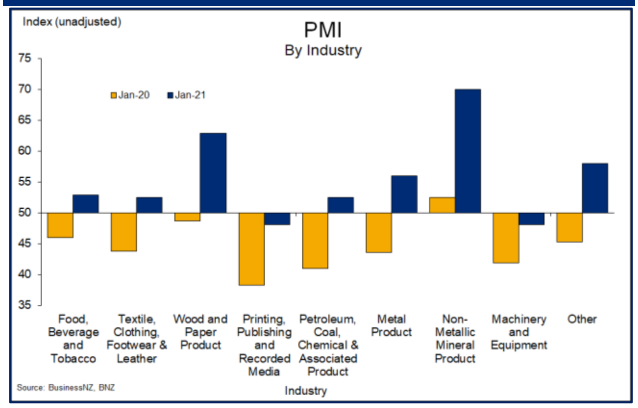
Back Into It



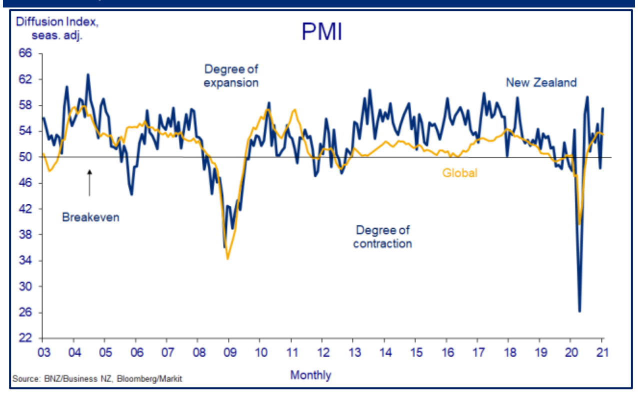
Positively Varied



Mixed



Global Sync



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