

Manufacturing Snapshot

13 August 2021



PMI

The latest Performance of Manufacturing Index (PMI) portrayed an industry champing at the bit. Not content with its very high reading of 60.9 for June it pressed up to 62.6 in July. Only twice before has it been speedier – once in March 2021, when it hit a record high of 63.6, and once back in June 2004 (with 62.8). Encouragingly, deliveries of raw materials (57.9) continued to pick up, to an above-average rate of expansion, while the PMI’s index of finished stocks (56.9) was comfortably above trend too in July. Still, production (66.0) and new orders (65.0) were even further above their respective norms, suggesting supply is still struggling to keep up, relatively speaking.

Jobs, Jobs, Jobs

But if there’s a hottest topic of the economy at present it is arguably the labour market. Figures released by Stats NZ last week certainly highlighted a lot of heat, with a drop in the nation’s unemployment rate to 4.0% in Q2, from 4.6% in Q1. With this, wage inflation was clearly picking up. Employment expanded 1.0% in Q2 alone (according to the Household Labour Force Survey). And the pace of hiring has only strengthened into the start of Q3, by the look of the employment index in July’s PMI. It lifted to 58.3, from 56.7 in June. That’s a record high. It’s still a wonder as to where the people are coming from to fill the positions (especially with the borders effectively shut). But the PMI employment index is one of many pieces of information suggesting lower lows in the jobless rate are in train.

Industries on a bounce

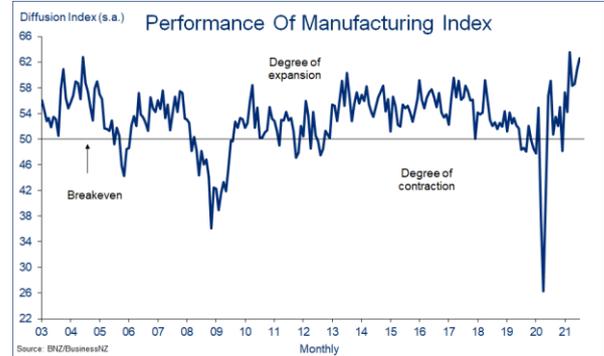
Driving the increase in the PMI in July were a few industries that were dragging the chain in June; in a relative rather than absolute sense, that is. For example, Printing, Publishing & Recorded Media jumped to (an unadjusted) 74.0, from 49.0. Wood and Paper Products improved to 61.0 in July, compared to 53.5 in June. Non-metallic Mineral Products spiked to 85.0, from 50.8, while “Other” manufacturing strengthened to 65.2 after waning to 46.3 in June. The Food & Beverage component of the PMI, meanwhile, continued along in a moderate growth mode, with an index reading of 53.5.

It’s all Greek (letters) to us

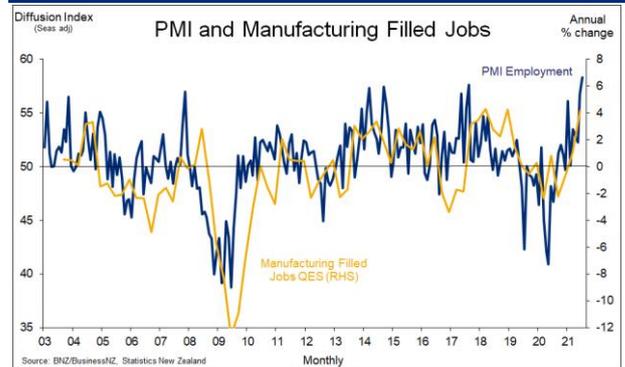
While New Zealand’s PMI is doing exceptionally well, we are also conscious of the headwinds happening for global manufacturing. This is on account of the resurgence of COVID-19 in its delta strain. To be sure, the virus has tended to impact services more than manufacturing, for obvious reasons. And the global PMI held up at a trend-like 55.4 in July. That said, we’ve been hearing of material hardships on manufacturing sectors in Asia (and not just China) – a region that New Zealand is most integrated to these days. With this, and the recent community spread of COVID-19 in Australia, we need to keep a close eye on the global PMI (and PSI) over coming months and, by implication, New Zealand’s equivalents.

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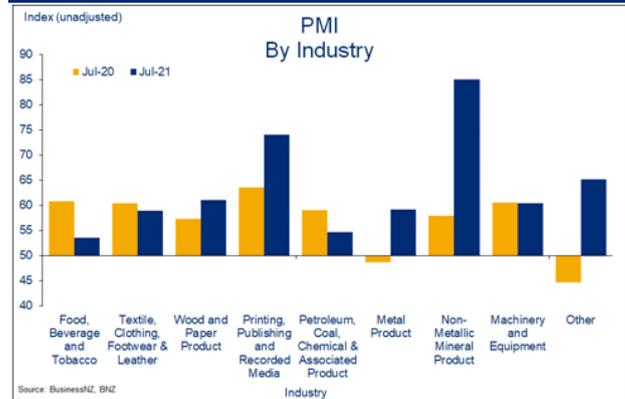
Top Notch



Hiring Apace



Some Standouts



Leading by Example



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