

RESEARCH

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.

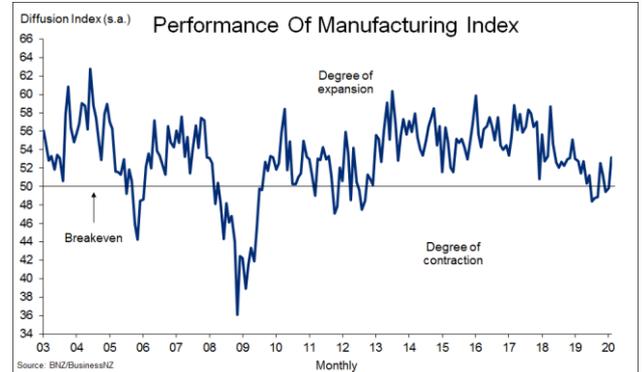
By firm size, all four categories were above 50 in February. However, medium-to-large firms – those with between 51 and 100 employees – were leading the way, with a reading of 58.2. We can imagine firms of all sizes will face testing times ahead, especially around cash-flow.

Global

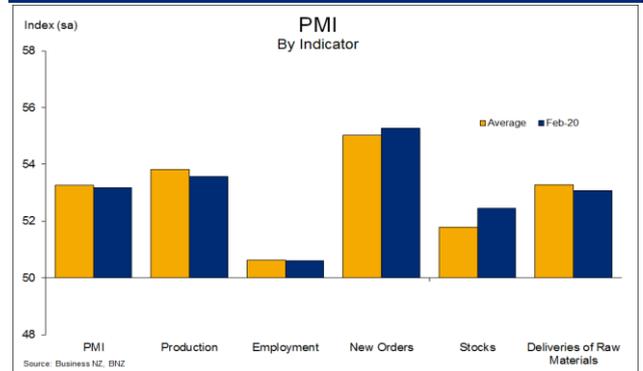
The global malaise was clearly pinpointed in China's PMI for February. At 35.7, from 50.0 in January, it proved far worse than the market was bracing for. While there are early signs that China's economic activity is beginning to recover, the focus is now shifting to other parts of the world – notably 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.

craig_ebert@bnz.co.nz

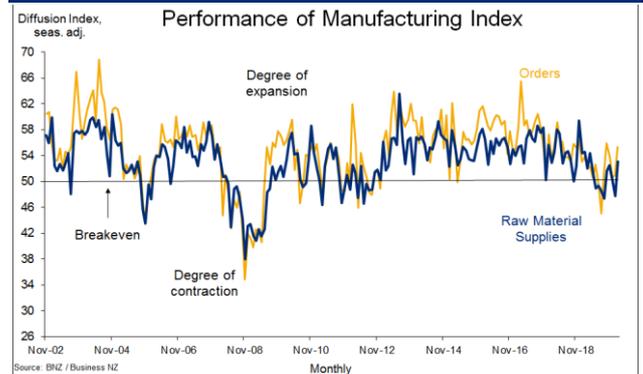
Amazingly Average



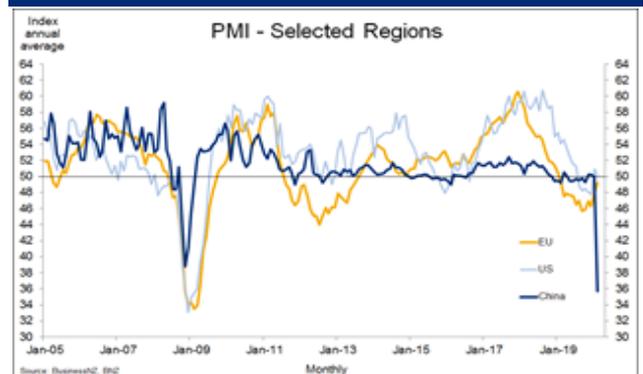
(Abnormally) All About Normal



Monitoring for Supply-Chain Problems



The Next Shoes To Fall?



Contact Details

BNZ Research

Stephen Toplis

Head of Research
+64 4 474 6905

Craig Ebert

Senior Economist
+64 4 474 6799

Doug Steel

Senior Economist
+64 4 474 6923

Jason Wong

Senior Markets Strategist
+64 4 924 7652

Nick Smyth

Interest Rates Strategist
+64 4 924 7653

Main Offices

Wellington

Level 4, Spark Central
42-52 Willis Street
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland

80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch

111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

National Australia Bank

Ivan Colhoun

Global Head of Research
+61 2 9237 1836

Alan Oster

Group Chief Economist
+61 3 8634 2927

Ray Attrill

Head of FX Strategy
+61 2 9237 1848

Skye Masters

Head of Fixed Income Research
+61 2 9295 1196

Wellington

Foreign Exchange +800 642 222
Fixed Income/Derivatives +800 283 269

Sydney

Foreign Exchange +61 2 9295 1100
Fixed Income/Derivatives +61 2 9295 1166

London

Foreign Exchange +44 20 7796 3091
Fixed Income/Derivatives +44 20 7796 4761

New York

Foreign Exchange +1 212 916 9631
Fixed Income/Derivatives +1 212 916 9677

Hong Kong

Foreign Exchange +85 2 2526 5891
Fixed Income/Derivatives +85 2 2526 5891

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed. Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of the Global Markets Division of NAB.

NAB maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: This publication has been provided for general information only. Although every effort has been made to ensure this publication is accurate the contents should not be relied upon or used as a basis for entering into any products described in this publication. To the extent that any information or recommendations in this publication constitute financial advice, they do not take into account any person's particular financial situation or goals. Bank of New Zealand strongly recommends readers seek independent legal/financial advice prior to acting in relation to any of the matters discussed in this publication. Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication. **National Australia Bank Limited is not a registered bank in New Zealand.**

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.