

14 May 2021



PMI

At 58.4 in April, the Performance of Manufacturing Index (PMI) remained relatively racy. Not as fast as it was in March, with its 63.6 – but that was a local land speed record. 58.4 is still well above the PMI’s long-term average of 53.1. April’s results were also solid when looking at their main component detail. Production hardly missed a beat, with 64.5, from 66.5 in March. Employment, with its 52.7, was not much slower than March’s 53.6, to remain comfortably above its historical norm of 50.5. New orders, while down from a March spike to 72.3, at 60.9 stayed upbeat about the pipeline. If there was a weakness in the main component detail of April’s PMI it was that its deliveries of raw materials index slowed to a trend-like 52.4, from a record high of 63.0 in March.

Supply issues

With this detail, April’s PMI gave the impression of supply-side expansion now occurring in the manufacturing sector (after a period of September 2020 to February 2021, when this wasn’t at all obvious). However, it’s all relative with signs also from the PMI that supply is still not keeping pace with demand. Certainly, a lot of the negative feedback to April’s PMI was still to do with supply side issues. And we wonder if this is related to the fact that the smallest-sized firms were falling off the pace in April, with an unadjusted PMI reading of 44.2, which compared to a tight range of 55.5 to 57.5 for the rest, in terms of firms by (staffing) size.

Building

One of the positive themes that came through in April’s feedback to the PMI was the building industry. This accords with the recent indicators of construction activity. After throwing a massive wobbly in February, building consents roared right back to a point of strength in March. Importantly, this was widely driven across region and type of building work. Annual growth in residential consent numbers in March, for example, was 45%. For the value of non-residential consents, it was 78%. This augurs well for sustained growth in construction activity. Capacity willing, that is – with indications, also, that the industry is already stretched for resources and its price inflation strong.

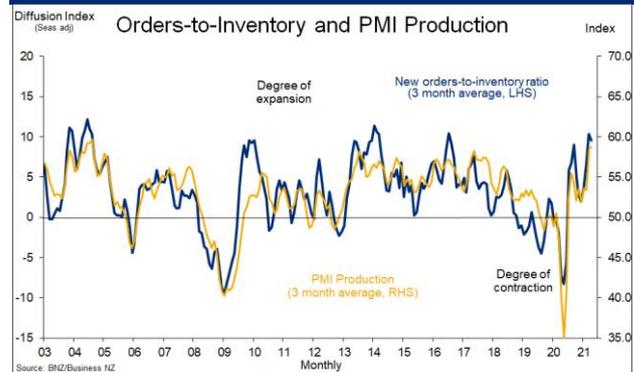
Global rebound

Firms’ commentary to April’s PMI also noted improving conditions internationally, including explicit mention of the United States. The US has certainly been printing some very strong PMI results over the last few months. But, so has Europe, as a whole. As such, the PMIs of both Europe and the US continue to roar well ahead of China’s, which was an early leader out of the COVID-19 malaise. To be sure, this is more in the nature of catch-up for the US and Europe, than racing ahead in terms of levels of output. However, the positivity in many global PMIs clearly points to economic activity expanding strongly in significant portions of the world now.

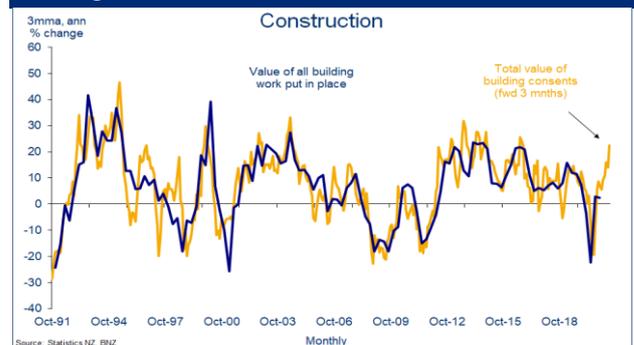
Less Rapid



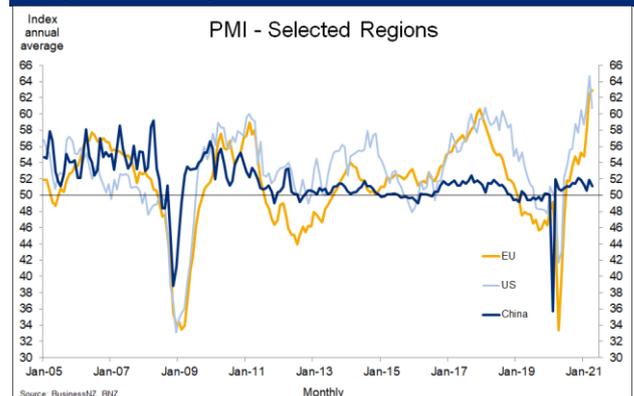
Relative Demand Pressure Remains



Pressing Ahead



Rampant Recovery Mode



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