

12 March 2021



## PMI

With its 53.4 for February, the Performance of Manufacturing Index (PMI) slipped back to about average. This was after a strong January (58.0) and an unusually weak December (48.3). Average was also the motto of the PMI's 3-month running mean, with its 53.3 being very close to the long-term average of 53.0. The PMI was above average, however, in key respects. While its production index slipped to 57.3, from 59.3 in January, it was still comfortably north of its norm of 53.6. New orders took a much bigger tumble – to 56.2 from 62.8 in January – but were nonetheless a margin above their historical average of 54.8. The PMI indices on employment, and finished stocks, were fractionally below trend.

## Supply issues

This left the deliveries of raw materials index as the laggard in the PMI. At 47.6 in February this was the sixth month of the last seven in being below the 50 breakeven mark (versus a long-term norm of 52.9). It was certainly the message from respondents' comments to February's PMI survey, that supply issues were to the fore. Of those citing negative factors, supply rather than demand problems dominated, with frequent references to supply chains, shipping, freight, costs, and difficulties in finding suitable staff. And those who cited demand factors to the negative, well they mainly mentioned tourism as the issue at play.

## Manufacturing sales

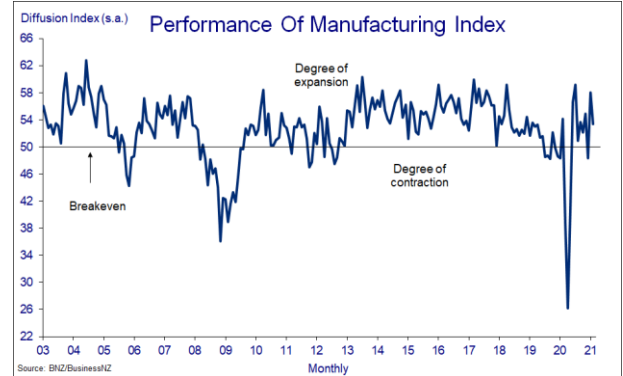
Nonetheless, as mentioned earlier, the production signals from the PMI remained upbeat through February. Granted, this did not appear consistent with Tuesday's December quarter manufacturing data. We inferred from this a bit of slippage in production. This is after adjusting the reported 0.5% increase in sales volume for inventory movement as well as direct measures of agriculture production we prefer to employ. The latter includes a fall in on-farm dairy production for Q4, compared to Q3, seasonally adjusted. Still, the PMI production index, in being robust in January (59.3) and February (57.3), helps allay concern that any fall reported in Q4 manufacturing output (as per the GDP accounts, due 18 March) might be the start of a downturn.

## Forestry

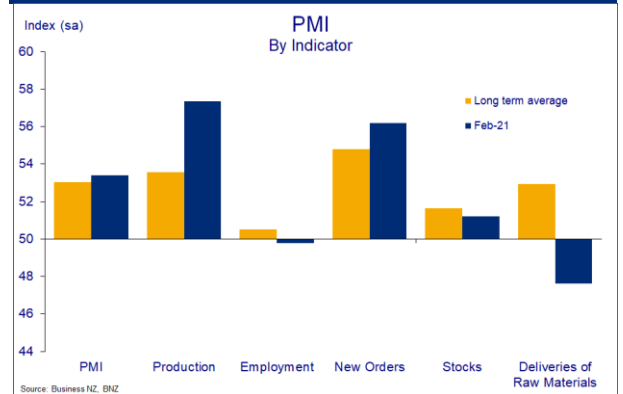
New Zealand's forestry sector has recovered strongly, post the lockdowns of autumn 2020. To be sure, wood and paper products comprise only 9% of total NZ manufacturing output (as per the GDP accounts), versus 31% for food, beverage and tobacco products. Nonetheless, it also informs on local construction as well as exports. With this in mind, it was interesting to see that forestry harvesting during the December quarter of 2020 was 10% up on the same quarter in 2019. That infers a moderate increase on what was a strong September quarter, after it rebounded about 33% from a locked down June quarter. The Wood and Paper Product index of the PMI was a hefty 62.9 in January although it eased to 48.1 in February.

[craig\\_ebert@bnz.co.nz](mailto:craig_ebert@bnz.co.nz)

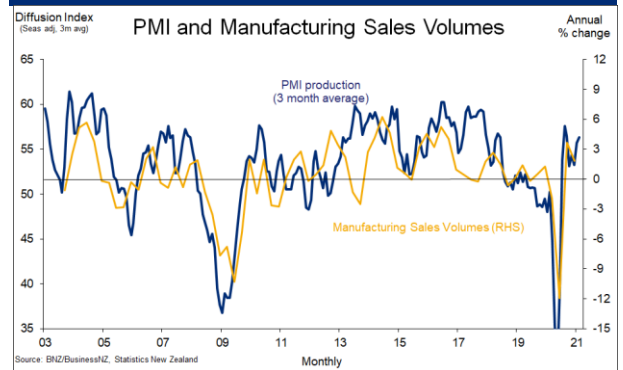
## Down to Average



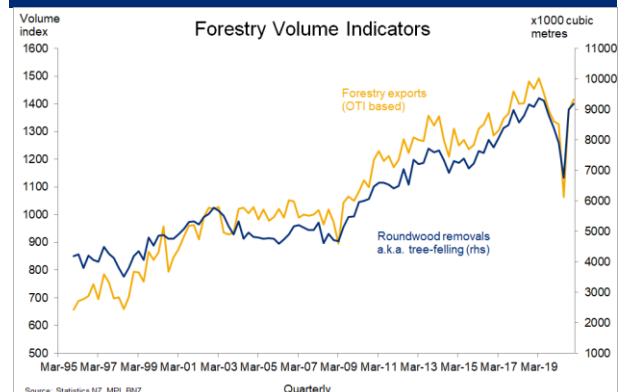
## The Dibble Dobbles (Slow Deliveries)



## Cause for Positivity



## Enough of the Pining



## 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**

Senior 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

**New York**

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

**Sydney**

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

**Hong Kong**

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

**London**

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

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

**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: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

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.