

11 November 2021



PMI

The Performance of Manufacturing Index (PMI) lifted to 54.3 in October. This builds on the 51.6 it managed to get to in September, after the extreme weakness of 39.7 during August's level 4 restrictions. It's a step in the right direction. However, even though October's reading is above average, we'd classify it more in the realm of some recovery from a large hit rather than an indication of outright strength. In any case, it is good to see improvement with some partial relaxation of restrictions, albeit with many restraints remaining through October.

Regional

By region, Northern saw the strongest unadjusted reading, of 62.5, in October. Again, this looks like some bounce from a period of extreme weakness (remember 28.1 back in August) compared to other regions rather than necessarily portraying a strong level of activity. One only need look at Northern's three month average PMI reading of 45.4 to get some perspective. In contrast, southern regions have posted another month of solid PMI results.

Details

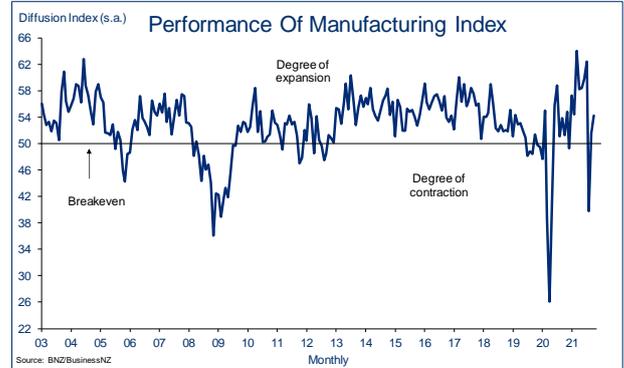
The PMI production index lifted to 54.0 in October. This follows two months in contraction territory, offering a sense that manufacturing output turned the corner in the month. It's a plus for Q4 GDP calculations, after what looks to have been a dreadful Q3. Other PMI components raise more questions than answers. For example, deliveries of raw materials surged and stocks of finished products also rose strongly. This may reflect some easing in supply bottlenecks, at least from level 4 extremes, in which case it would be very welcomed. But we note that the new orders index, while positive, is the only major PMI component sitting below its long-term average. It is something to watch on the demand side. This is the first month since Q2 last year that the raw material supplies index has been above new orders. Of course, with so much disruption, it would be unwise to draw any strong conclusions from one month's result.

Employment

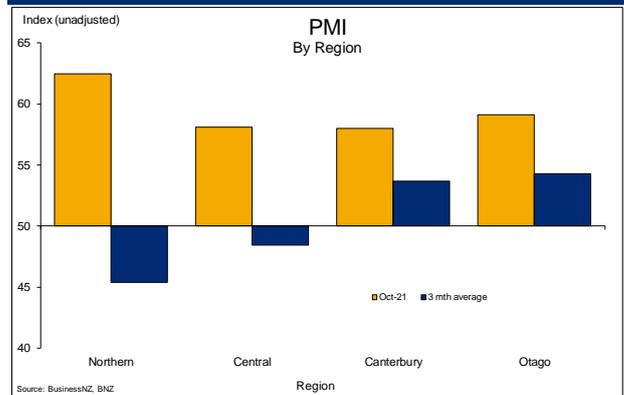
Through all the chop and change over recent months, employment indicators have remained positive. Sure, the PMI employment index eased to 52.1 in October from 54.2 in September, but it remains above its long-term norm. Nothing here to dissuade us of the view that overall NZ employment will edge higher in Q4, even after Q3's bumper official result.

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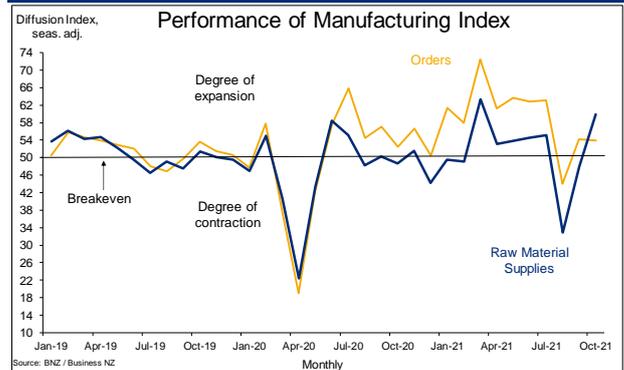
Climbing Out Of The Hole



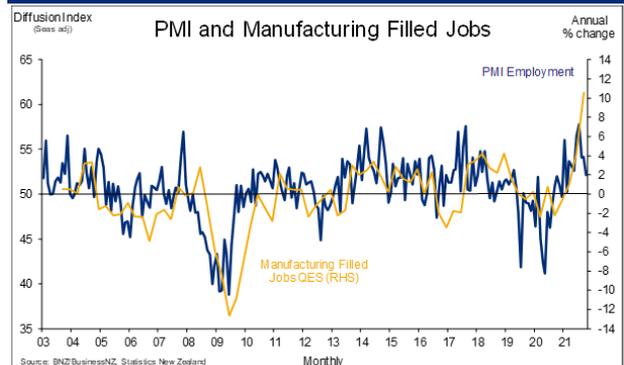
October A Better Month



More Supplies; Orders So-So



More Employment



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