

15 October 2021



PMI

The Performance of Manufacturing Index (PMI) rebounded to an expansive 51.4 in September, from the 39.7 level it dipped to in August. Generally speaking, that’s encouraging – although the survey is not without some still-frayed parts. Credit where it’s due though, the NZ PMI has just traced much less of a contraction, and quicker stabilisation, compared to what it went through during the initial outbreak of COVID-19. Back then the economy was similarly put in a level 4 restriction, late March 2020, and stepped its way back to a national level 2 by mid-May. The PMI plunged to 26.0 in April 2020, repaired to 41.3 during May and didn’t regain positivity until its 55.7 in June.

Diverse dynamics

Still, not all in the latest PMI was positive. To be sure, new orders were almost back to “normal” with a reading of 54.3 in September. And the employment index remained well above its long-term average of 50.6, with a 54.4. That would have been a great help in pushing the overall PMI over the (50) line for September. The production index, however, at 49.9, was essentially flat, as was inventory, with its 50.1. Deliveries of raw materials, at 47.8, were still contracting, albeit not as rapidly as they were in August (33.1). By industry, Wood & Paper Products, and the miscellaneous “Other” category, stood out as weak spots with 45.4 and 38.1 respectively.

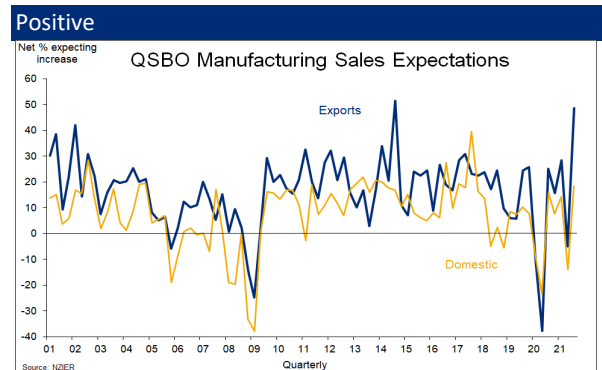
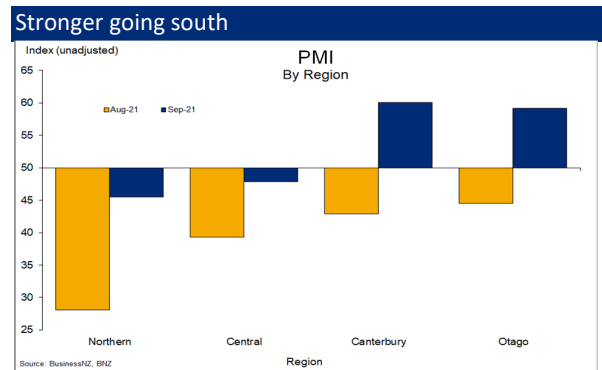
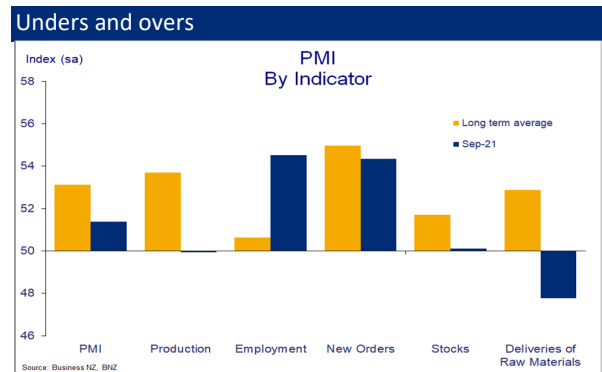
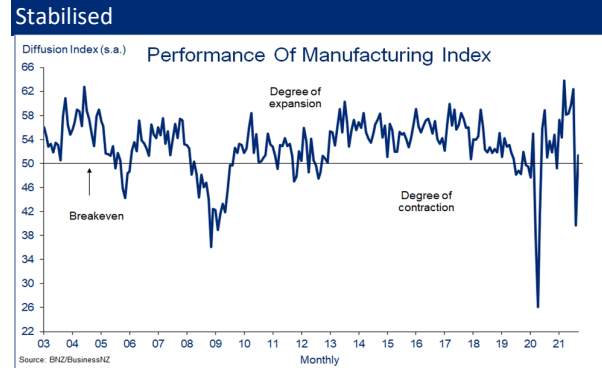
North versus South

The other reason to be a little guarded about the PMI’s latest index reading is that the clear majority of respondents’ comments this month had a negative skew. These were, unsurprisingly, dominated by references to the COVID-wrought lockdowns, with Auckland’s situation lamented by firms right across the country (with Australia’s lockdowns also getting a mention as a drag). The slow release of Auckland from COVID-related restrictions, relative to the rest of the country, was echoed in the regional breakdown of the PMI. The Northern region (dominated by Auckland) registered the weakest index, at 45.5 (unadjusted), while the South Island’s Canterbury and Otago were 60.1 and 59.2 respectively.

QSBO comparison

As for last week’s NZIER Quarterly Survey of Business Opinion (QSBO), this showed a relatively resilient tone amongst manufacturers. Production was expanding, and expectations around exports were upbeat (perhaps hinged to trading-partner economies opening up). New orders were still coming through at a reasonable rate and overdue debtors were well under control. Investment intentions were more mixed but employment intentions were well above trend. The sticking point for QSBO manufacturers remained mostly around the supply side. Difficulty in finding staff was intense. And the capacity utilisation rate rose to 94.9% - a record high. All of this amid COVID-related restrictions.

craig_ebert@bnz.co.nz



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.