

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.

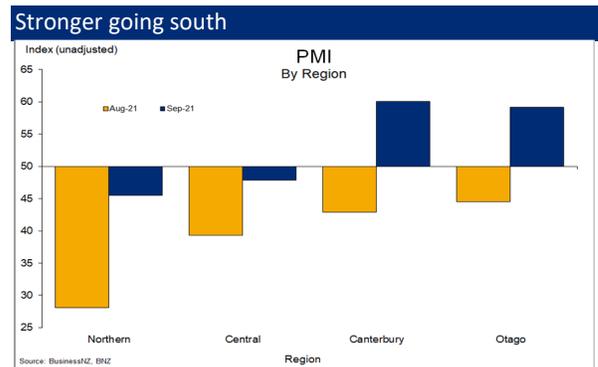
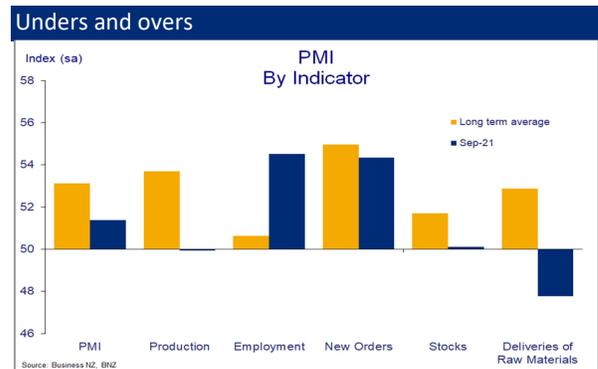
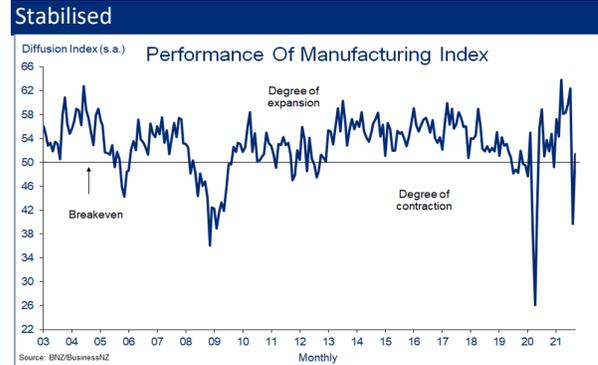
## North versus South

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.

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