

13 May 2022



PMI

While the Performance of Manufacturing Index (PMI) remained expansive in April, it also had a tinge of struggle about it. For a start, its seasonally adjusted reading, of 51.2, was slower than the 53.7 in posted in March and, in the process, dipped below its long-term norm, of 53.1. Then there was the PMI’s production index. This slipped marginally into contraction territory, with a result of 49.1, after hanging on by its fingertips in March, with 50.3. The employment index also slipped to the wrong side of the 50 breakeven mark, with 49.8, from 52.2 the previous month.

Very mixed fortunes

Also, there was a very mixed picture via other lenses on the PMI. By industry, for example, there were the extremes of Printing, Publishing and Recorded Media (95.0) playing off against Other Manufacturing (29.0, from 51.3 in March) and Petroleum, Coal, Chemical & Associated Products (37.8) – all in unadjusted terms. By firm size, the best performers were micro firms (56.6) but with the very next size up, small-medium firms, the clear laggard in April, with 41.9. Geographically, only Otago/Southland was positive, with 55.4, while Northern, Central and Canterbury/Westland all slipped below 50.

Supply issues remain

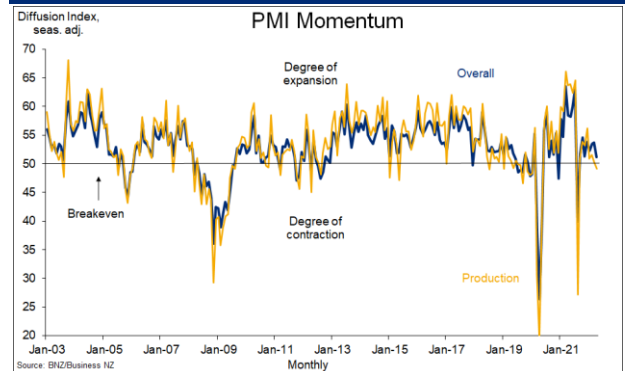
Having said this, there was also the strong message that what’s holding manufacturing back, in general, is more about ongoing supply constraints, than a weakening in demand. This was reflected in Deliveries of Raw Materials subsiding to 49.5 in April, while New Orders, at 56.0, remained a smidge above their long-term average. Supply problems certainly featured extensively in respondents’ comments, including inferences that COVID, and related absenteeism, remains a big issue, even with recorded case numbers having peaked back in March. This provides valuable context to the negativity in the PMI’s jobs index.

Global context

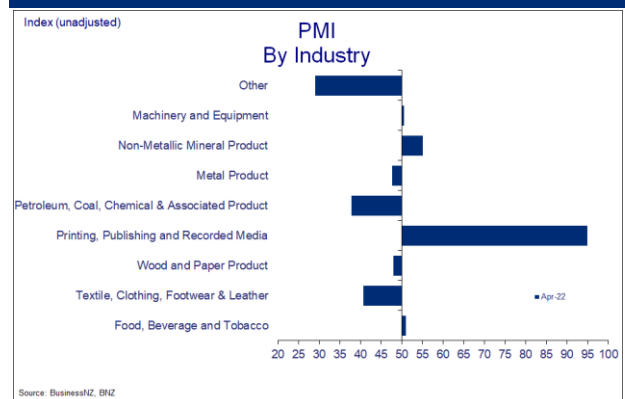
With so much dispiriting press about the world of late, one could be forgiven for thinking the global PMI must be stalling, even contracting. In fact, it printed at 52.2 for April – fractionally above its long-term average, of 51.8. To be sure, it has steadily lost momentum, after peaking at a relatively strong 56.0 in May last year. However, the Eurozone PMI, at 55.0 in April this year was something to note (given the conflict in Ukraine) while the subsidence in China’s PMI, to 47.4, bears the weight of severe lockdowns being imposed in that country to combat COVID.

craig_ebert@bnz.co.nz

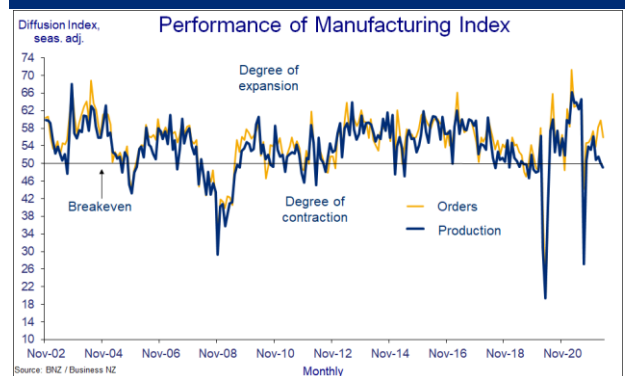
Slower to Slow



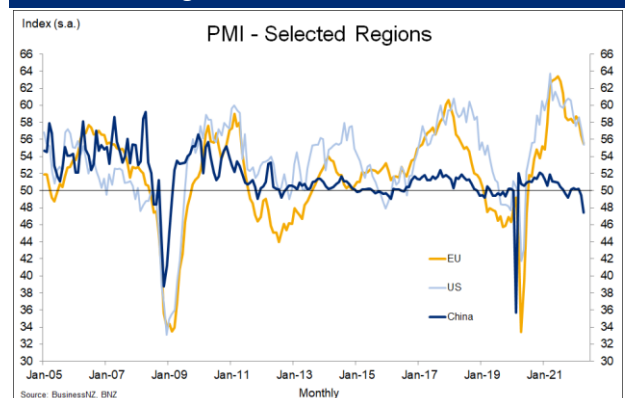
Across the Spectrum



A Sense of Order



Positive and Negative



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

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.

BNZ 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.