

14 April 2022



## PMI

March's Performance of Manufacturing Index (PMI) looks good at the headline level, but it is not without a decent chunk of bother in the detail. The good news is that the PMI's seasonally adjusted outcome of 53.8 was a smidge above February's 53.6 and is the first time since mid-last year that it has posted two consecutive months above its long-term average (of 53.1). That it has done so during the rapid spread of Omicron through the nation in February and March makes it that much more of a feat.

### The positives

New orders stood head and shoulders above other components, both outright and compared to normal. March's 61.0 outcome, which is a decent push up from February's already solid 58.6, is a full 6 points above its long-term norm. Employment was positive and above average too and, judging by respondent comments, would have been stronger if employers could find the required staff. By industry, strength was concentrated in the non-metallic mineral and metal industries (think construction), along with the food, beverage, and tobacco industry.

### Omicron impact

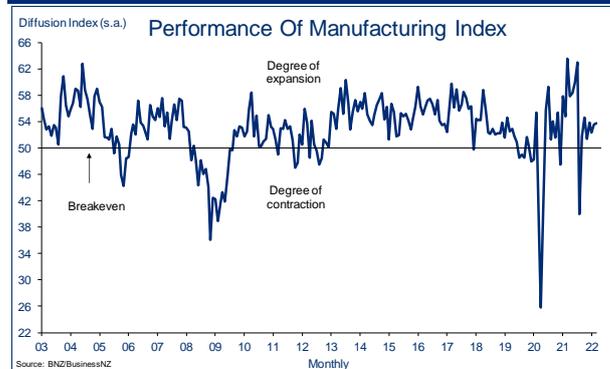
Strong new orders indicate people want stuff done. The challenge for manufacturers has been not enough people, or materials, or capacity, or all of the above, to do it. Many respondents cite ongoing significant issues with supply chains – both offshore and onshore. Omicron's spread has added to these issues. Many manufacturers reported staffing difficulties in March with absenteeism through sickness, isolation, or both. As one respondent put it, 'impossible to run at 100% production'. The impact may not be as harsh as the first 2020 COVID lockdown or last year's Delta lockdown, but it's there. Production has struggled, with the index slipping to 50.9 in March and a bit further below its long-term average. So don't expect too much Q1 GDP growth in manufacturing. The fact that supply is struggling to meet demand during the domestic spread of Omicron is not surprising. The balance will be important to watch in the months ahead, post Omicron peak, as restrictions ease, and interest rates rise.

### Juxtaposition

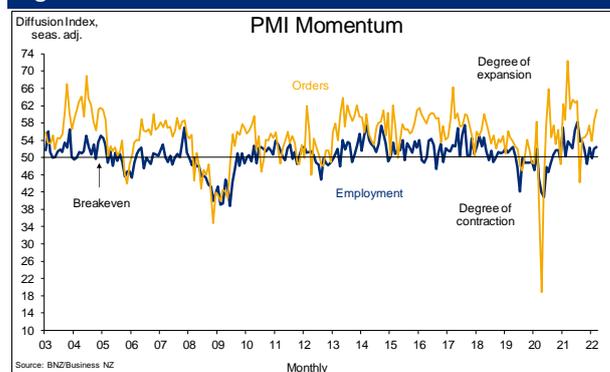
It is peculiar to see a firmly positive PMI while the number of negative comments from respondents significantly outweigh positive comments. Indeed, negative comments outweighed positive comments in March by a factor of two to one. Frustration with supply side troubles, along with cost inflation, look to be important factors.

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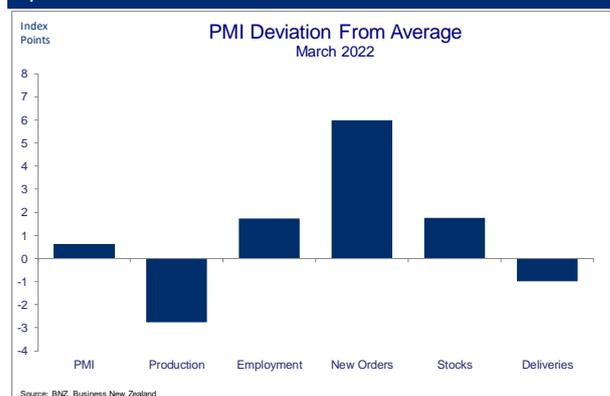
## Solid Looking



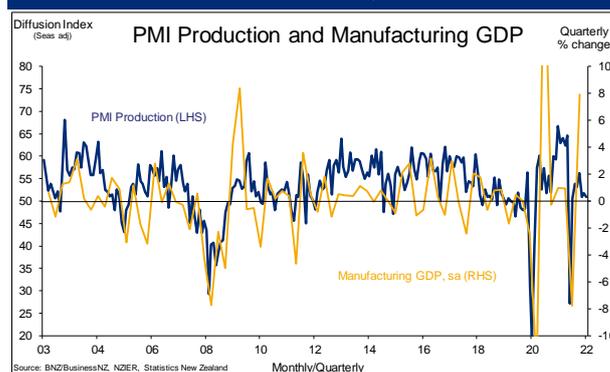
## High Order



## Ups and Downs



## Production Growth Subdued In Q1



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