

12 May 2017

The PMI

New Zealand's Performance of Manufacturing Index (PMI) remained strong in April. It chimed in with a seasonally adjusted 56.8, from 58.0 in March – making the low point back in January, of 53.2, seem but a distant concern. Nor were there any significant jags in the main component detail, so leaving them all looking good as well. In particular, new orders were still leading from the front, with an index reading of 62.4, while production itself was reasonably expansive, at 56.9. The positivity was less uniform on the basis of industry type, and by way of regional breakdown. However, overall, April's PMI was another deserving of a big tick.

Employment

The other component detail that was encouraging was regards staffing. April's PMI index on employment was 53.0. This was about as robust as it was in March (53.5) and so still securely above its long-term average, of 50.5. This, in turn, suggests that the recent improvement we saw in the Household Labour Force Survey measure of manufacturing employment will be sustained. In the March quarter of 2017 it was up 6.0% on the same quarter a year ago. This is after a soft patch through last calendar year, during which it fell 5.5%. Over this period the PMI employment index turned contractionary (less than 50) in four out of the twelve months.

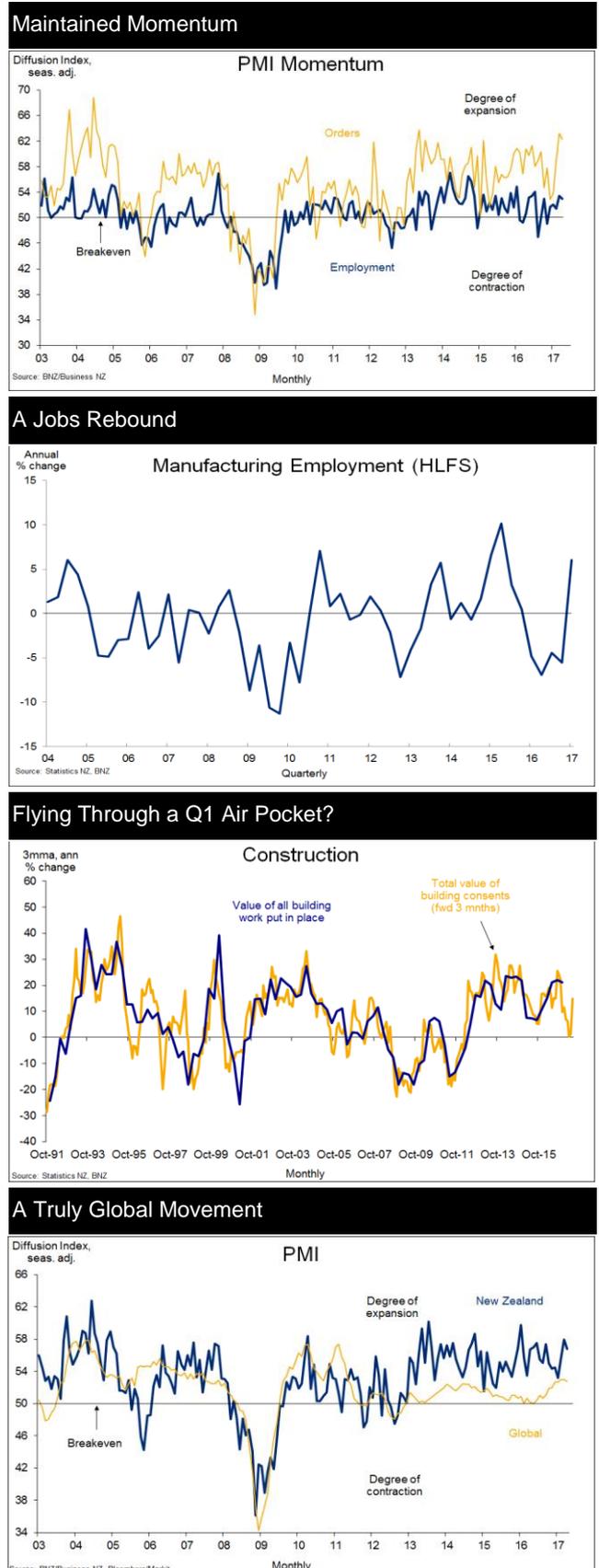
Construction

To be sure, the indicators around construction remain generally upbeat. However, the technical picture around its activity for the March quarter has a few clouds about it. In particular, the slump that we witnessed in building consents late last year (albeit from very strong levels) points to a significant decline in building activity in Q1. If so, it would dent GDP growth expectations, perhaps by way of some manufacturing activity too. A test will come in the Q1 Building Work Put in Place report. This is due 6 June and maps construction GDP very well. Ahead of this, there are the Q1 ready-mixed concrete statistics to check out. These are scheduled for release 17 May.

Global

The Reserve Bank was right yesterday, in stating that "Global economic growth has increased and become more broad-based over recent months." The JP Morgan IHS Markit Global Manufacturing PMI supported this. It maintained a decent pulse in April, with 52.8, having gone close to flat over the first half of last year. This report went to on say that "Price pressures stayed elevated in April. Although rates of increase in average input costs and output charges both eased further from recent highs, they remained above the respective long-run averages." As for the RBNZ outlook for global inflation it described this as broadly subdued.

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

Kymerly Martin

Senior Market Strategist
+(64 4) 924 7654

Jason Wong

Currency Strategist
+(64 4) 924 7652

Main Offices

Wellington

60 Waterloo Quay
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Phone: +(64 4) 473 3791
FI: 0800 283 269
Fax: +(64 4) 474 6266

Auckland

80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Phone: +(64 9) 976 5762
Toll Free: 0800 081 167

Christchurch

111 Cashel Street
Christchurch 8011
New Zealand
Phone: +(64 3) 353 2219
Toll Free: 0800 854 854

National Australia Bank

Peter Jolly

Global Head of Research
+(61 2) 9237 1406

Alan Oster

Group Chief Economist
+(61 3) 8634 2927

Ray Attrill

Global Co-Head of FX Strategy
+(61 2) 9237 1848

Skye Masters

Head of Interest Rate Strategy
+(61 2) 9295 1196

Wellington

Foreign Exchange +800 642 222
Fixed Income/Derivatives +800 283 269

Sydney

Foreign Exchange +(61 2) 9295 1100
Fixed Income/Derivatives +(61 2) 9295 1166

London

Foreign Exchange +(44 20) 7796 3091
Fixed Income/Derivatives +(44 20) 7796 4761

New York

Foreign Exchange +1 212 916 9631
Fixed Income/Derivatives +1 212 916 9677

Hong Kong

Foreign Exchange +(85 2) 2526 5891
Fixed Income/Derivatives +(85 2) 2526 5891

ANALYST DISCLAIMER: The person or persons named as the author(s) of this report hereby certify that the views expressed in the research report accurately reflect their personal views about the subject securities and issuers and other subject matters discussed. No part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the research report. Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of the Markets Division of National Australia Bank Limited, a member of the National Australia Bank Group ("NAB"). The views of the author(s) do not necessarily reflect the views of NAB and are subject to change without notice. NAB may receive fees for banking services provided to an issuer of securities mentioned in this report. NAB, its affiliates and their respective officers, and employees, including persons involved in the preparation or issuance of this report (subject to the policies of NAB), may also from time to time maintain a long or short position in, or purchase or sell a position in, hold or act as advisors, brokers or commercial bankers in relation to the securities (or related securities and financial instruments), of companies mentioned in this report. NAB or its affiliates may engage in these transactions in a manner that is inconsistent with or contrary to any recommendations made in this report.

NEW ZEALAND DISCLAIMER: This publication has been provided for general information only. Although every effort has been made to ensure this publication is accurate the contents should not be relied upon or used as a basis for entering into any products described in this publication. Bank of New Zealand strongly recommends readers seek independent legal/financial advice prior to acting in relation to any of the matters discussed in this publication. Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

US DISCLAIMER: 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.

National Australia Bank Limited is not a registered bank in New Zealand.