

11 March 2022



## PMI

February's Performance of Manufacturing Index (PMI) proved resilient to Omicron's onset. Its seasonally adjusted outcome of 53.6 was not only better than January's 52.3, but was a nudge above its long-term norm, of 53.1. Make no mistake, the PMI can be rocked by COVID-19 or, more to the point, the lockdowns that have sprung from it. The PMI crumbled to 38.0 in April 2020. It sagged to 40.0 in August 2021, when the "Delta" outbreak resulted in severe lockdowns upon the populace. So, this February result, amid COVID case numbers enormously greater than anything NZ experienced beforehand, is heartening.

### Ordering up more production

The good news extended to the fact the PMI new orders index jumped to a 58.2, from 53.6 in January. While this sub-index does tend to average higher than the other sub-indices, its outcome for February was comfortable above that mark. This heralds ongoing positivity in the PMI's production index, which was already doing OK in February, with a 52.1, from 51.1 in January. This forms a picture of manufacturing activity managing a modicum of expansion in Q1, after the solid bounce it looks to have traced in Q4 (based on Wednesday's data from Stats NZ). During Q4 the PMI production index averaged 54.3.

### Mixed undercurrents

Having said all of this, not everything about this latest PMI was positive. In unadjusted terms, 4 out of the 9 industries were in contraction mode, including 44.7 for Wood & Paper Manufacturing. There also remained the theme – something we've also seen in the PSI – of the smaller firms struggling relative to larger ones. In February, micro-sized firms logged a contractionary 39.3 while large firms registered an expansive 58.1. We also note that, when asked to comment on the key issue for their business, most respondents cited a negative one, not a positive one.

### Global watch

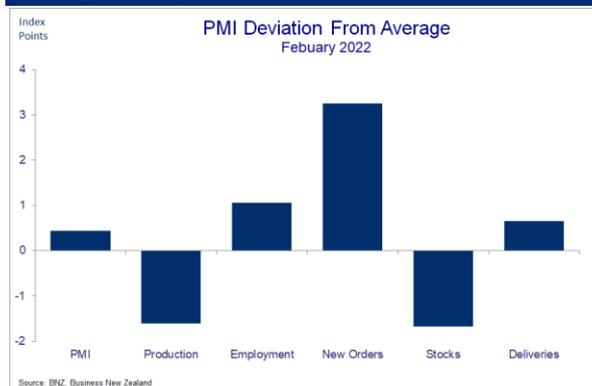
Underlying unease will certainly be piqued by the sustained high COVID case numbers as we go into March. We will watch the next PMI result also wary of fallout from the Russia/Ukraine conflict, whose global impacts will be felt far and wide. The immediate consequences of this are stark in raw commodity prices, to which manufacturers are most exposed. But then high commodity prices can also stimulate a production response, where possible. As a test of all this, we will be attentive to the global PMI, which, for the record, was above-trend in February, with 53.6.

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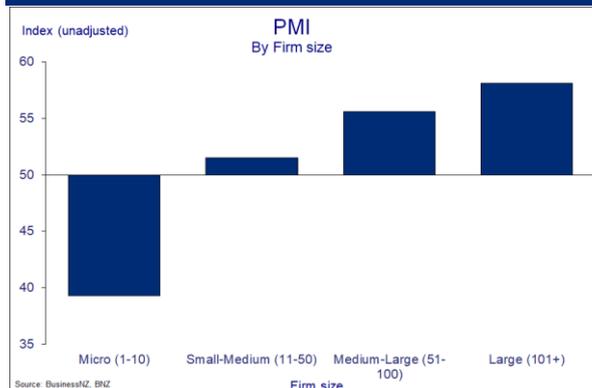
### Positive in the Circumstances



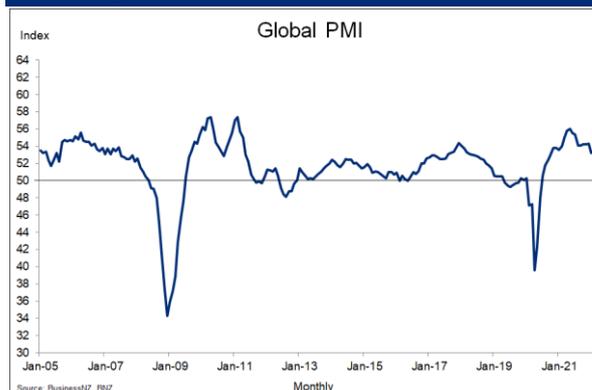
### Leading the Way



### Sweating the Small Things



### Potentially Conflicted



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