

Manufacturing Snapshot

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

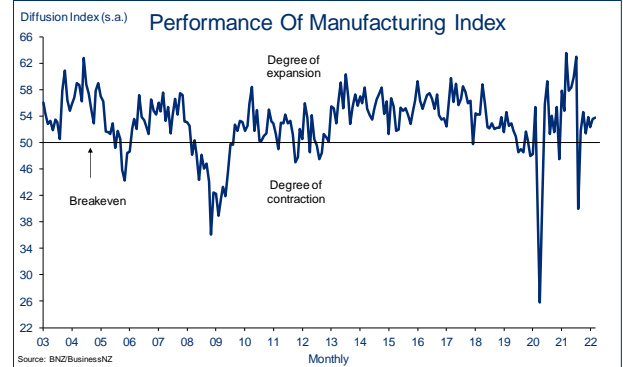
Strong new orders indicate people want stuff done. The challenge for manufacturers has been not enough people, or materials, or capacity, or all of the above, to do it. Many respondents cite ongoing significant issues with supply chains – both offshore and onshore. Omicron's spread has added to these 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

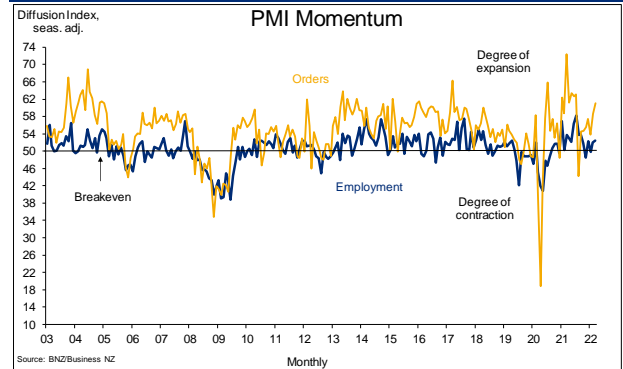
It is peculiar to see a firmly positive PMI while the number of negative comments from respondents significantly outweigh positive comments. Indeed, negative comments outweighed positive comments in March by a factor of two to one. Frustration with supply side troubles, along with cost inflation, look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

doug_steel@bnz.co.nz

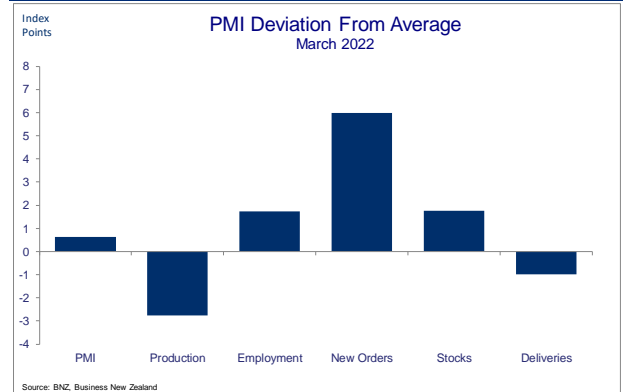
Solid Looking



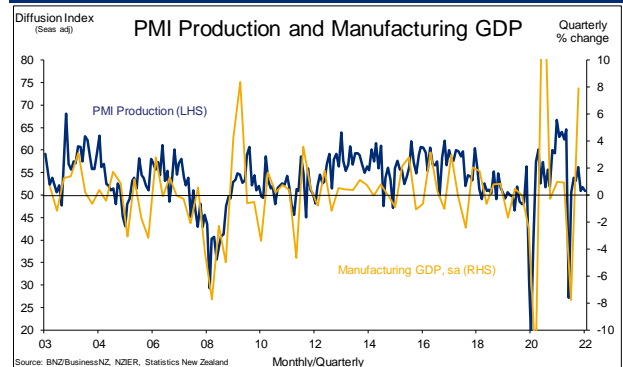
High Order



Ups and Downs



Production Growth Subdued In Q1



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

National Australia Bank Limited

Ivan Colhoun

Global Head of Research
+61 2 9237 1836

Alan Oster

Group Chief Economist
+61 3 8634 2927

Ray Attrill

Head of FX Strategy
+61 2 9237 1848

Skye Masters

Head of Markets Strategy
+61 2 9295 1196

Wellington

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

New York

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

Sydney

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

Hong Kong

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

London

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

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