

14 May 2021



## PMI

At 58.4 in April, the Performance of Manufacturing Index (PMI) remained relatively racy. Not as fast as it was in March, with its 63.6 – but that was a local land speed record. 58.4 is still well above the PMI’s long-term average of 53.1. April’s results were also solid when looking at their main component detail. Production hardly missed a beat, with 64.5, from 66.5 in March. Employment, with its 52.7, was not much slower than March’s 53.6, to remain comfortably above its historical norm of 50.5. New orders, while down from a March spike to 72.3, at 60.9 stayed upbeat about the pipeline. If there was a weakness in the main component detail of April’s PMI it was that its deliveries of raw materials index slowed to a trend-like 52.4, from a record high of 63.0 in March.

## Supply issues

With this detail, April’s PMI gave the impression of supply-side expansion now occurring in the manufacturing sector (after a period of September 2020 to February 2021, when this wasn’t at all obvious). However, it’s all relative with signs also from the PMI that supply is still not keeping pace with demand. Certainly, a lot of the negative feedback to April’s PMI was still to do with supply side issues. And we wonder if this is related to the fact that the smallest-sized firms were falling off the pace in April, with an unadjusted PMI reading of 44.2, which compared to a tight range of 55.5 to 57.5 for the rest, in terms of firms by (staffing) size.

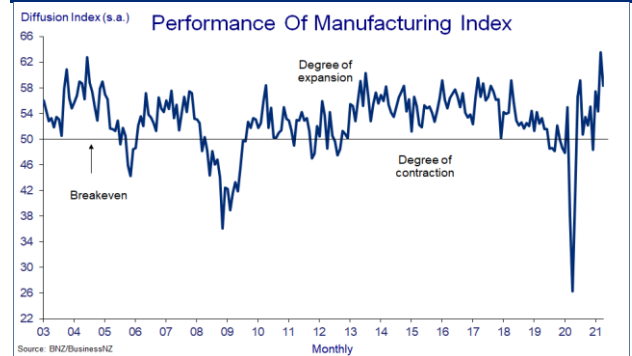
## Building

One of the positive themes that came through in April’s feedback to the PMI was the building industry. This accords with the recent indicators of construction activity. After throwing a massive wobbly in February, building consents roared right back to a point of strength in March. Importantly, this was widely driven across region and type of building work. Annual growth in residential consent numbers in March, for example, was 45%. For the value of non-residential consents, it was 78%. This augurs well for sustained growth in construction activity. Capacity willing, that is – with indications, also, that the industry is already stretched for resources and its price inflation strong.

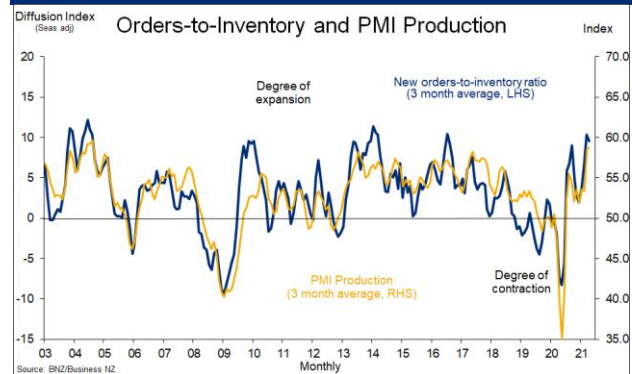
## Global rebound

Firms’ commentary to April’s PMI also noted improving conditions internationally, including explicit mention of the United States. The US has certainly been printing some very strong PMI results over the last few months. But, so has Europe, as a whole. As such, the PMIs of both Europe and the US continue to roar well ahead of China’s, which was an early leader out of the COVID-19 malaise. To be sure, this is more in the nature of catch-up for the US and Europe, than racing ahead in terms of levels of output. However, the positivity in many global PMIs clearly points to economic activity expanding strongly in significant portions of the world now.

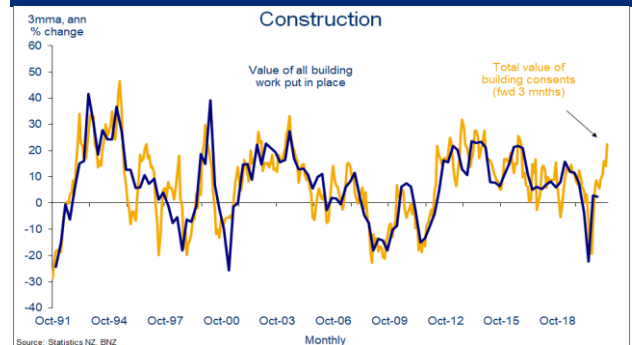
### Less Rapid



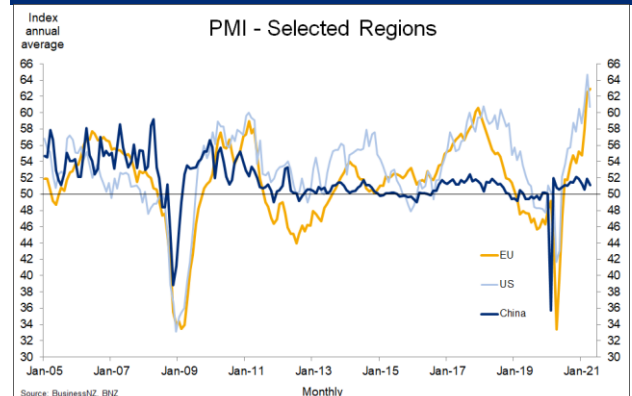
### Relative Demand Pressure Remains



### Pressing Ahead



### Rampant Recovery Mode



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

**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

**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 Fixed Income Research  
+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

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. Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of the Global Markets Division of NAB.

NAB 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.