

14 February 2020



The PMI

New Zealand's Performance of Manufacturing Index (PMI) remained close to flat in January. Moving into a new year, but still going nowhere, it posted an index reading of 49.6, from 49.2 in December. Then again, in the context of the latest global ructions – this time related to the COVID-19 virus – January's PMI could arguably be read as a relatively decent outcome. At the same time, it is surely too early for the PMI to capture the economic consequences of the virus. What we do know is that only two respondents to January's survey specifically mentioned the "coronavirus" as a negative influence on their business.

Global

Of course, it's also too soon for the latest global PMI to be meaningfully indicating the disruptions from COVID-19. All the same, its January reading was interesting, in that it nudged up to a seasonally adjusted 50.4, from 50.1 in December. Its recent low point was 49.3, back in July. This speaks to the sense of stability that was emerging in global growth, just as the virus, epicentred in China, threw a giant spanner in the works. The latter will make it very difficult to read the undercurrent to global growth for the meantime. However, things like the PMIs will at least help gauge the global economy's immediate momentum, and by way of regions/countries (Asia/China included).

Detail

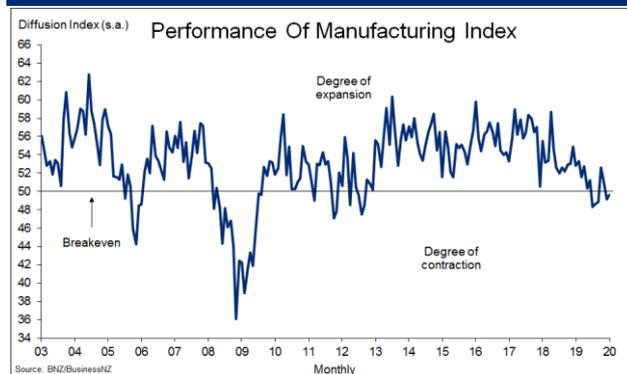
With respect to the NZ PMI, at face value it looked as though new orders, at 50.6, were holding their own, while employment – which slipped to 46.9, from 49.6 – was letting the side down. However, when comparing the main sub-indices to their long-term norms the picture was more one of everything under-shooting a bit. The industry detail also felt predominantly below-the-line. In unadjusted terms at least, only Non-Metallic Mineral Product Manufacturing was above the breakeven 50 level – and that should be treated with a grain of salt because of a very low sample size in January. Nor were there any bright spots to point to with respect to firm size, with all of them back below 50 (unadjusted).

Food

One component of the NZ PMI to keep a particularly close eye on over coming months is Food, Beverages and Tobacco – for at least a couple of reasons. One is obviously the impact from COVID-19, given New Zealand sends a big proportion of its food products to the Asian region these days, notably so to China. Then again, this would arguably affect price more than volume, given the latter is more determined by the weather than current demand. And the local weather has become problematic. In particular, increasingly dry weather has every potential to crimp dairy production, but also bring-forward some meat processing. Both are important for local manufacturing.

craig_ebert@bnz.co.nz

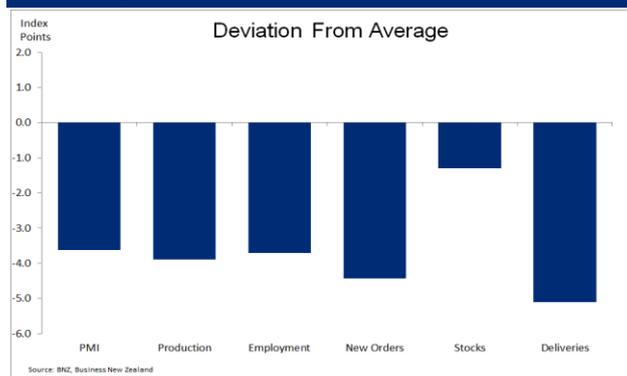
At a Standstill



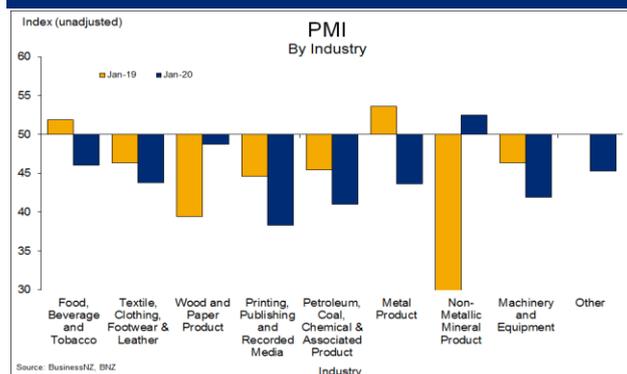
Into the Global Fold



Below Par, Across the Board



More Down Than Mixed



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

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

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 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: 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. To the extent that any information or recommendations in this publication constitute financial advice, they do not take into account any person's particular financial situation or goals. 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. **National Australia Bank Limited is not a registered bank in New Zealand.**

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.