

17 June 2022



PMI

The Performance of Manufacturing Index (PMI) was a little more expansive in May, and not quite as varied in its details. Its seasonally adjusted reading, of 52.9, nudged up from April's 51.2, to be very close to its long-term average of 53.1. In terms of its principal components, production (52.8), employment (53.0) and deliveries of raw materials (55.4) rid themselves of the slightly negative reads they had for April. Conversely, elements that were strong in April slowed during May. Stocks of finished products, for example, eased to 53.1, from 54.0, while new orders decelerated to 53.0, from 55.2 in April and 58.9 in March.

Diminishing excess demand?

The net result of the above-mentioned was the inference that excess demand alleviated during May. New orders are perhaps the cleanest representation of demand, while deliveries speak more to the supply side. To the extent excess demand is abating, so too will be core inflation pressure. Having said this, it was clear from respondents' comments to May's PMI survey that lack of staff, and lack of materials, were still dominating the negative chat. And the negative chat was clearly greater than the proportion of firms electing to make their comment a positive one.

Less varied

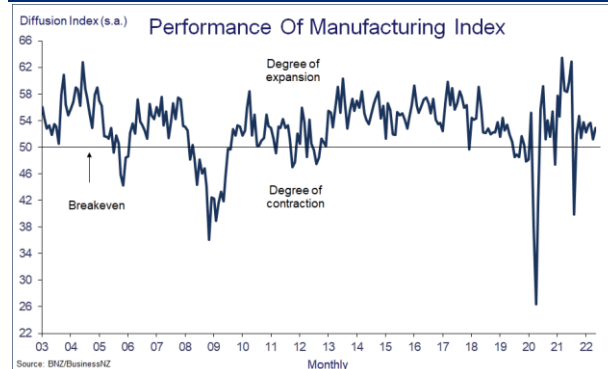
In terms of the lessened variation in the PMI we can note that in April the spread across industries traversed 29.0 to 95.0 whereas May's range was 33.8 to 67.5, with food & beverage and metal-based manufacturers among the strongest. By geography, three of the four main regions were above the breakeven mark of 50 in May. In April only one region was (Otago/Southland). The exception to this lesser-variation theme was firm-size performance in May. Here, the story of the bigger the better returned to the fore, with large firms sitting pretty at an unadjusted 59.3 while micro firms very much trailed with 44.0.

A bounce

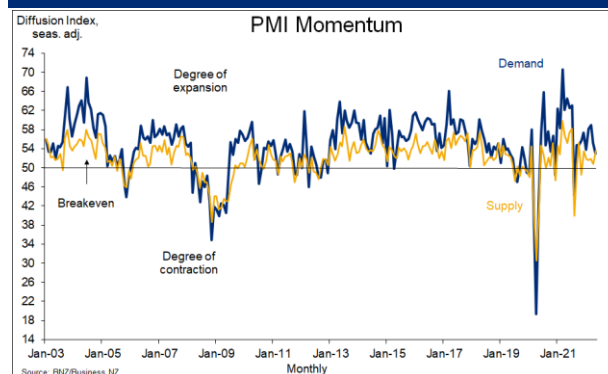
While the NZ PMI has kept its head above water since the Delta shock of August 2021, manufacturing activity as measured in the GDP accounts has been through some big ups and downs. Yesterday's GDP figures for Q1 logged a 1.4% fall in manufacturing output (for an annual fall of 2.7%). However, this was affected by COVID/Omicron-induced delays, including in food processing, which sets the scene for a decent rebound in manufacturing for Q2, as things catch up. The positivity in May's PMI production index supports this idea.

craig_ebert@bnz.co.nz

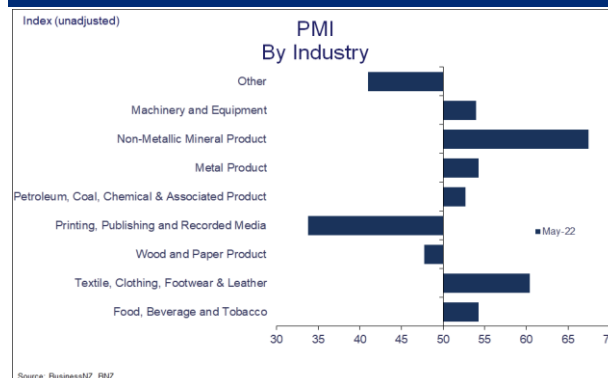
A Little Bit Better



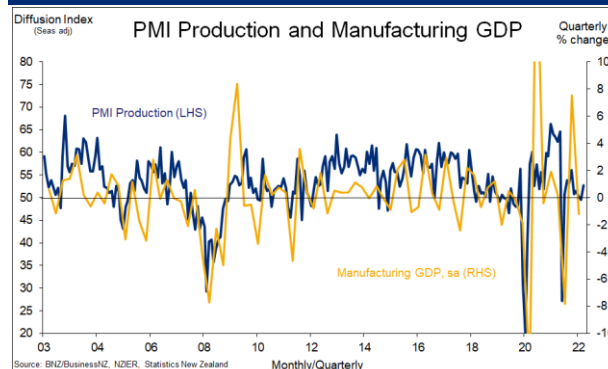
Better Balanced?



Industrial Evolution



No Verge of Recession



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

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.

BNZ 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.

