RESEARCH
Manufacturing Snapshot

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

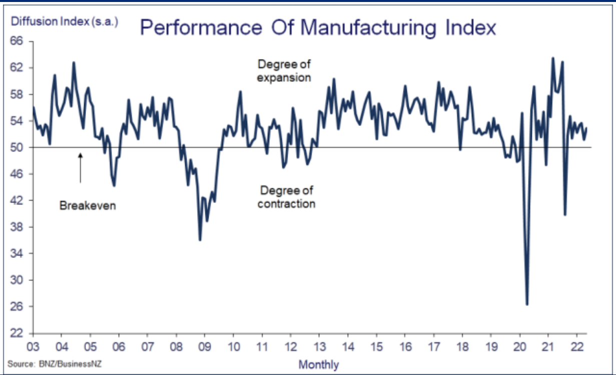
In terms of the lessened variation in the PMI we can note that in April the spread across industries traversed 29.0 to 95.0 whereas May's range was 33.8 to 67.5, with food & beverage and metal-based manufacturers among the strongest. By geography, three of the four main regions were above the breakeven 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

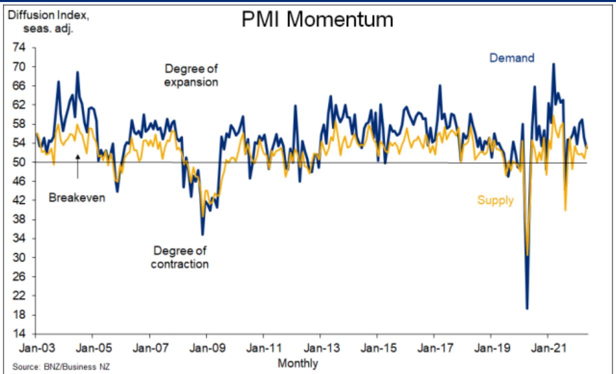
While the NZ PMI has kept its head above water since the Delta shock of August 2021, manufacturing activity as measured in the GDP accounts has been through some big ups and downs. Yesterday's GDP figures for Q1 logged a 1.4% fall in manufacturing output (for an annual fall of 2.7%). However, this was 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

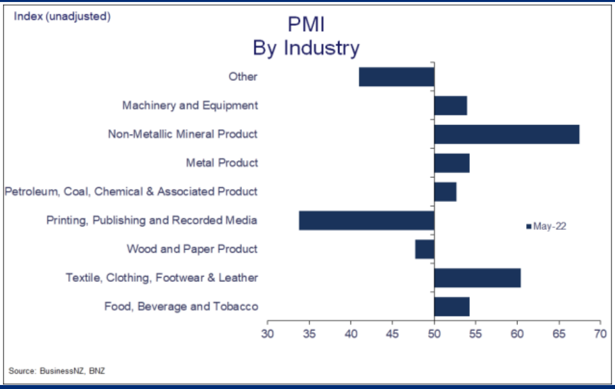
A Little Bit Better



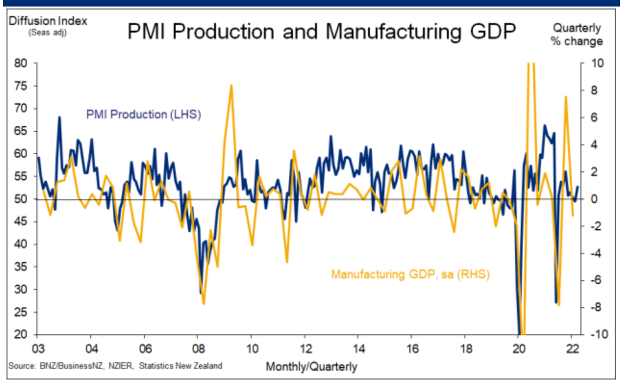
Better Balanced?



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