

## NEVI NETHERLANDS MANUFACTURING PMI®

### Dutch manufacturing sector returns to growth in August

#### KEY FINDINGS

Output expands amid sharp rise in total new orders

Export demand increases at quickest pace for nearly two years

Job cuts continue, but at substantially softer rate

Data were collected 12-20 August.

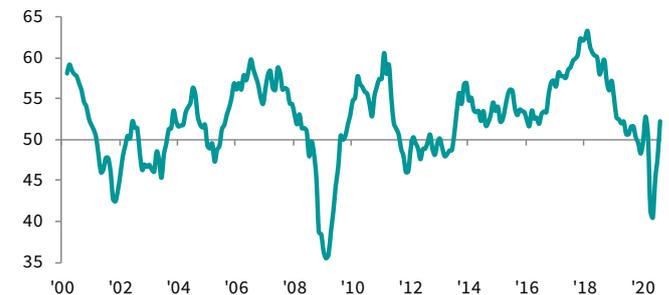
August saw manufacturing conditions across the Netherlands improve following the severe disruption caused by the coronavirus disease 2019 (COVID-19) pandemic, according to the latest PMI® survey from NEVI and IHS Markit. Output rose for the first time since February and sharply, amid the quickest increase in order book volumes since December 2018. Demand conditions also recovered across foreign markets, as new export orders rose at the sharpest pace in nearly two years. Amid ongoing uncertainty, firms continued to reduce their staffing levels, although the pace of job shedding softened notably and was only mild.

The NEVI Netherlands Manufacturing PMI is a composite single-figure indicator of manufacturing performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. The headline PMI rose from 47.9 in July to post above the 50.0 neutral mark at 52.3 in August and signal the first improvement in operating conditions since March. Though modest, the rate of improvement was the strongest since February.

Strong rebounds in both production and new orders were central to the uptick in August. Both output and order book volumes rose for the first time since February, with the rates of expansion the sharpest since January 2019 and December 2018, respectively. Panellists linked increases in both production and new orders to improved client demand as a result of looser lockdown restrictions.

The improvement in domestic demand was further

Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit.

supported by recoveries abroad, as August data highlighted the quickest increase in new export orders for nearly two years.

Despite improvements in both new orders and factory production, Dutch goods producers continued to reduce their staffing levels in August. That said, the rate of job shedding was the softest since March and only mild. Capacity pressures remained weak nonetheless, with backlogs falling for the fifth month running.

For the first time since February, companies signalled a rise in purchasing activity in August, with the rate of increase the quickest since December 2018. Both pre- and post-production inventories declined solidly, however, with panellists citing the use of stocks in production and the timely delivery of orders to clients.

Meanwhile, August data highlighted renewed inflationary pressures. Cost burdens facing Dutch manufacturers rose for the first time since March, reflective of greater wage and raw material costs, as well as higher prices at suppliers. Average selling prices also increased as firms partially passed on higher input prices to clients, although the rate of charge inflation was only slight overall.

Optimism regarding the one-year outlook for output improved further during August, with the Future Output Index posting its highest reading for six months. Panellists linked confidence to improved demand conditions.

## COMMENT

David Kemps, Manufacturing Sector Specialist at ABN AMRO, commented:

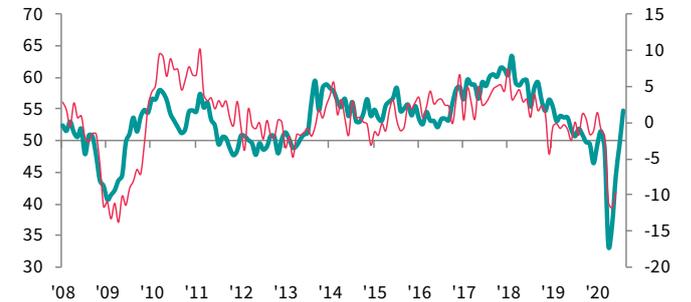
*"The Dutch manufacturing sector showed its resilience in August with increases in both output and new export orders. The NEVI Purchasing Managers' Index rose above the no change threshold of 50 and reached 52.3. The relaxation of lockdown measures in various European countries and the upward trend in the German manufacturing sector in particular has resulted in a cautious optimism of purchasing managers regarding the outlook for the next few months.*

*"The indices for new export orders and output are showing a positive picture compared to last month with readings of 55.2 and 54.7 respectively. The last time the index for new export orders was this high was back in December 2018.*

*"It is however too soon to start cheering as industrial output is still well below pre-corona levels. A large number of the manufacturers anticipate a negative long-term impact on their companies' activities and turnover as a result of the corona crisis. The expectation is that many of the company reorganisations that have already started will lead to an increase in unemployment, lower output & investment and fewer innovations later on in the year."*

## Output Index

sa, >50 = growth since previous month



Source: IHS Markit, Eurostat.

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## Methodology

The NEVI Netherlands Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 350 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

August 2020 data were collected 12-20 August 2020.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

## About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)

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