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NEVI NETHERLANDS MANUFACTURING PMI®

Output growth quickens amid renewed increase in new orders

KEY FINDINGS

PMI at three-month high in August

Moderate growth of new work following back-to-back falls

Weak inflationary pressures

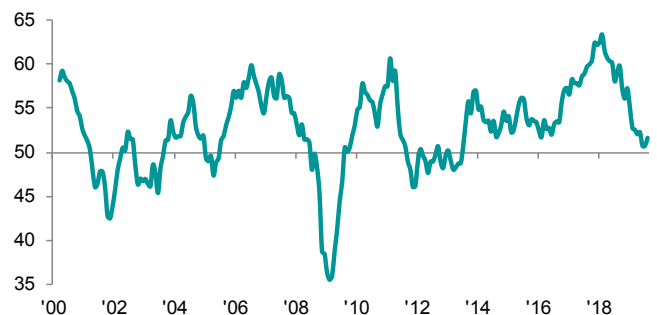
The Dutch manufacturing sector posted its strongest performance in three months in August, according to the latest PMI® survey data from NEVI and IHS Markit. Central to the improvement in operating conditions was the first rise in order book volumes since May, leading to quickening growth in output and employment as well as increased purchasing activity. For the first time since June 2013 suppliers' delivery times were faster, allowing firms to reduce backlogs. The level of positive sentiment in the manufacturing sector eased to the lowest since May, although output expectations remained positive overall.

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 PMI rose to 51.6 in August, from 50.7 in July, signalling the strongest improvement in operating conditions since May. However, the headline figure remained weak in the context of historical data.

As has been the case since December last year, the consumer goods sector reported the strongest improvement in conditions, whilst intermediate goods registered only a marginal improvement and investment goods saw a further deterioration.

The rise in the headline PMI figure was mainly reflective of the trends in both output and new orders in August. Output growth accelerated from July's recent low, whilst new work increased moderately following two months of falling order book volumes. In line with new business, volumes of new

Manufacturing PMI
sa, >50 = improvement since previous month



work from abroad increased, following a reduction in July.

Despite the ongoing expansion of Dutch manufacturing, inflationary pressures remained weak in August. Average input prices rose at the second-slowest rate in three years. Greater costs were partly passed on to customers in the form of higher output prices. That said, the rate of charge inflation was marginal overall and below the series average.

Employment grew in August, with the rate of job creation quickening to the fastest in four months. That said, it remained subdued in the context of the series' historical average.

Backlogs of work fell at the fastest rate since February 2015, as supply chain pressures eased. Supplier lead times were faster than the previous month for the first time in over six years.

Stocks of finished goods increased in August, albeit at the slowest rate in the current four-month sequence of growth.

Finally, purchasing activity grew at the fastest rate since April, as firms responded to improved demand conditions. Meanwhile, input inventories rose at the strongest pace in 2019 so far.

COMMENT

Lewis Cooper, Economist at IHS Markit, which compiles the Netherlands Manufacturing PMI survey, commented:

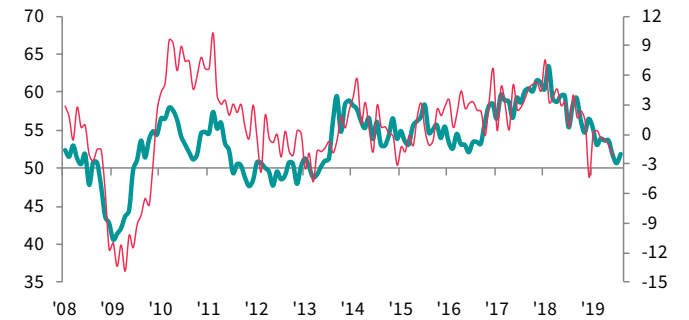
"The Dutch manufacturing sector recorded a better performance in August, with overall operating conditions improving at the strongest pace in three months.

"The moderate improvement in business conditions was driven mainly by a faster increase in output stemming from renewed growth in new business. New orders rebounded following two months of contraction, while new export orders also rose albeit at a modest pace.

"Despite the improved August data, the Dutch manufacturing sector remains in a relatively subdued state. The Output Index is the third-lowest in over six years, consistent with a sustained year-on-year drop in official manufacturing production. The official data are currently updated to June, where output fell 2.2% on an annual basis, and PMI data for July and August are pointing to declines of a similar magnitude"

Output Index

sa, >50 = growth since previous month



Source: IHS Markit, Eurostat.

Manufacturing production

%yr/yr

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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 2019 data were collected 12-21 August 2019.

For further information on the PMI survey methodology, please contact 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. To learn more go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).

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NEVI

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