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NEVI NETHERLANDS MANUFACTURING PMI®

Manufacturing conditions improve during February amid higher demand

KEY FINDINGS

Output rises for first time in five months

Fastest increase in order book volumes since last August

Workforce growth improves to solid pace

Operating conditions across the Dutch manufacturing sector improved for the first time since September last year during February, according to the latest PMI® survey from NEVI and IHS Markit. Central to the improvement was the quickest uptick in new business since last August and the first increase in output for five months. Meanwhile, workforce numbers rose for the second month in a row, with the rate of job creation the fastest since last September and solid overall.

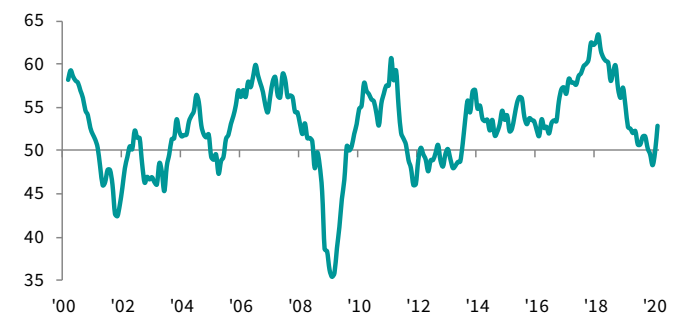
The NEVI Netherlands Manufacturing PMI is a composite single-figure indicator of manufacturing performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. The PMI rose from 49.9 in January to 52.9 in February to signal a strong improvement in the health of the Dutch manufacturing sector, with the reading the highest for 13 months.

At the sub-sector level, the expansion was broad-based, led by the consumer goods segment. Meanwhile, intermediate and investment goods producers noted an improvement in conditions for the first time in five and nine months, respectively.

February data highlighted the first expansion in output since last September, with anecdotal evidence linking the rise to higher new orders. The increase was only mild, however.

Meanwhile, order book volumes rose at the quickest rate since last August, with respondents associating the uptick with improved demand conditions. New orders from abroad also increased during February, ending a three-month sequence of contraction. That said, the rate of growth was

Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

only marginal overall.

Concurrently, Dutch manufacturers increased their workforce numbers during February, as has been the case in all but one month of the past five years. The rate of job creation accelerated from January and was solid.

On the prices front, cost burdens rose further during February amid reports of higher staff and raw material costs. The rate of price inflation softened from January but remained solid. Higher input costs were partially passed through to clients, as average selling prices continued to rise. The rate of increase softened from January and was only modest, however.

At the same time, buying activity increased for the first time in five months. Supplier lead times lengthened to the greatest extent since December 2018 and markedly, with respondents citing the impact of the COVID-19 outbreak on supply chains.

Firms' remained confident that output will increase over the coming 12 months in February. That said, sentiment moderated from January.

COMMENT

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

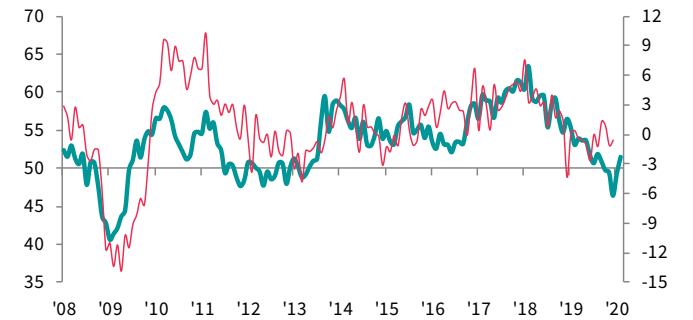
"February data highlighted a renewed improvement in operating conditions in the Dutch manufacturing sector, with the headline figure climbing to a 13-month high.

"Output increased for the first time in five months, amid reports of improved demand conditions, with new business rising at the fastest pace since August last year. Meanwhile, firms continued to increase their workforce numbers, with the rate of job creation accelerating to a solid pace.

"Overall, February provided some positive signs for the Dutch manufacturing sector, but improvements in demand will need to be sustained for growth to continue. The sector remained resilient to any major repercussions of the COVID-19 outbreak, although supplier lead times lengthened markedly during February. Further pressures on supply chains could still have an adverse effect in the coming months."

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.

February 2020 data were collected 12-20 February 2020.

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.

ihsmarkit.com/products/pmi.html

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NEVI

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