News Release

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NEVI NETHERLANDS MANUFACTURING PMI®

Manufacturing in strongest downturn for 11 years amid global COVID-19 crisis

KEY FINDINGS

Headline PMI slips to lowest since May 2009

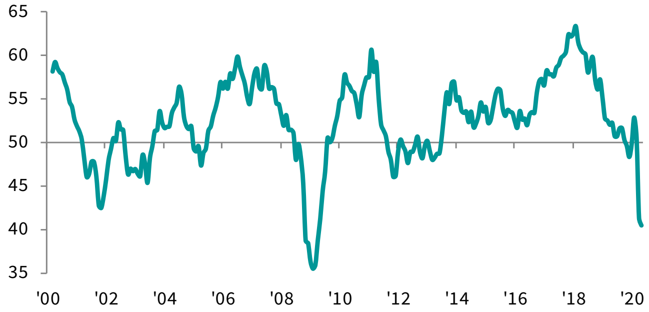
Further marked declines in both output and new orders

Job cuts continue as output expectations remain negative

Data were collected 12-20 May.

Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

The Dutch manufacturing sector remained stuck in a coronavirus disease 2019 (COVID-19) induced downturn in May, according to the latest PMI® survey from NEVI and IHS Markit. Operating conditions deteriorated at the quickest rate since May 2009 amid further marked reductions in both output and new orders. As a result, employment fell again, with the rate of job shedding among the quickest for over a decade, while expectations with regards to output over the year ahead remained negative for the second month running.

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 posted 40.5 in May, down from 41.3 in April, to signal a marked deterioration in the health of the manufacturing sector. Moreover, the headline figure was the lowest since the height of the global financial crisis in May 2009.

Further contractions in factory production and new orders were central to the deterioration in overall conditions. Output fell at the second-fastest pace on record and sharply overall, while new orders declined for the third month running, with the rate of reduction among the quickest on record. Anecdotal evidence blamed the falls on weak client demand stemming from the coronavirus pandemic. The volume of new work from abroad also declined during May. Despite easing from April, the rate of reduction was substantial and among the quickest in the series more than 20-year history.

The notably weaker sales trend led firms to cut staff numbers further in May, with the rate of decline the second-quickest for nearly 11 years. At the same time, firms continued to work through outstanding business. The rate of backlog depletion was among the fastest seen for over seven years, despite softening from April.

Purchasing activity was scaled back further in light of lacklustre demand. The volume of inputs ordered by manufacturers fell at the most marked rate since April 2009. Consequently, stocks of inputs declined for the first time since February and at the quickest pace for seven years.

On the price front, cost burdens dropped for the second month running, with the rate of deflation the quickest since April 2016. Respondents frequently linked the fall to lower raw material and oil prices. Efforts to improve sales and attract new business led to a reduction in average charges in May. Moreover, the fall was the quickest since November 2009.

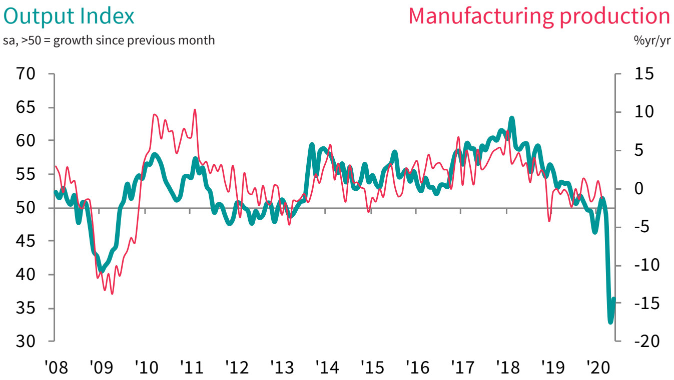
The 12-month outlook for output remained negative for a second consecutive month during May, as companies reported substantial uncertainty relating to the COVID-19 pandemic and fears of a global recession. Expectations were slightly less pessimistic than in April, however.

COMMENT

Albert Jan Swart, Manufacturing Sector Economist at ABN AMRO, commented:

"The Nevi Netherlands Manufacturing PMI points to a further decline of industrial output due to the COVID-19 pandemic. The number of new orders also continued to fall sharply. The speed of the decline of both output and new orders eased slightly compared to April. Further falls in buying activity and stocks of purchases also drove the overall decline."

"Many firms note that they have terminated temporary staff to cut costs. Given the fact that order backlogs have depleted further and the number of new orders keeps falling, it is not clear whether the Dutch manufacturing sector has reached the bottom. On the plus side, entrepreneurs are a bit less pessimistic about the next 12 months. Some companies, such as producers of packaging for consumer goods, will probably benefit from the easing of 'lockdowns', both domestically and abroad. However, demand for investment goods in particular is expected to remain sluggish in the short term."



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.

May 2020 data were collected 12-20 May 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.

ABN AMRO

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