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NEVI NETHERLANDS MANUFACTURING PMI®

Weakest improvement in manufacturing conditions in nearly three years in April

KEY FINDINGS

Headline PMI slips to 34-month low of 52.0

New orders continue to rise only fractionally

Backlogs drop at fastest rate in over four years

The latest PMI® survey data from NEVI and IHS Markit signalled a further loss of growth momentum in the Dutch manufacturing sector at the start of the second quarter of 2019. New orders continued to rise only marginally, resulting in a rate of output growth that remained well below the strong trends set in 2017 and 2018. Firms were also able to reduce their backlogs of work at the fastest pace in more than four years, signalling spare capacity in the goods-producing sector. The 12-month outlook for activity was the weakest in over three years.

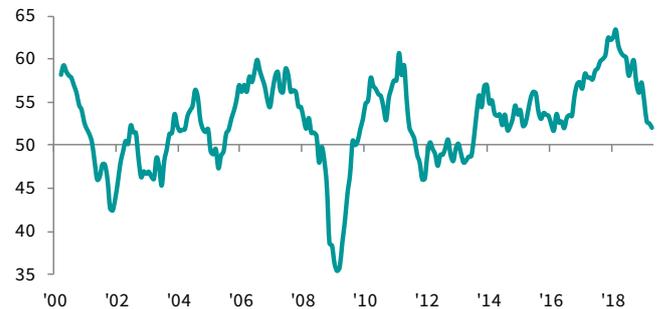
The NEVI Netherlands Manufacturing PMI is a composite single-figure indicator of manufacturing performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. The PMI fell for the fourth month running to 52.0 in April, from 52.5 in March, signalling the slowest overall growth of the sector since June 2016. It was also below its long-run trend level of 52.7 (since 2000).

At the sub-sector level, business conditions were strongest in consumer goods, followed by investment and intermediate goods respectively.

Having slowed almost to a halt in March, growth of new orders remained weak in April. Over the past two months new business expansion has been the weakest registered over the current 38-month period of growth. Data signalled that new export orders rose more strongly than domestic contracts, despite some reports of soft demand from a number of European markets.

Manufacturing PMI

sa, >50 = improvement since previous month



The fractional rate of new order growth resulted in another relatively weak increase in output when compared with the strong expansion seen in 2017-18. Although consumer goods output rose sharply, this was partly offset by weak increases in both the intermediate and investment goods categories.

Higher production partly reflected the clearance of order backlogs. The volume of incomplete business fell for the fifth time in seven months, and at the fastest rate since February 2015. Meanwhile, the level of finished goods held in stock fell for the first time in seven months.

The manufacturing labour market remained resilient despite the recent slowdown in the sector. Employment rose for a survey-record fiftieth consecutive month and at a slightly faster rate than in March, albeit one that was weaker than the trend for 2017-18.

Input price inflation picked up to a three-month high in April, but remained well below the levels seen in 2018. A similar trend was evident for output prices.

Dutch manufacturers remained confident of output growth over the next 12 months, but the overall strength of sentiment eased further in April to the weakest since November 2015.

COMMENT

Trevor Balchin, Director at IHS Markit, which compiles the Netherlands Manufacturing PMI survey, commented:

"The business climate in the Dutch manufacturing sector continued to cool down in April. At 52.0 the PMI still signalled overall growth, but at the slowest rate in nearly three years.

"All five components of the headline index remained in positive territory, with output and employment showing the strongest rates of expansion. But new orders continued to rise only marginally and suppliers were the least busy in nearly six years. Additionally, backlogs fell at the strongest rate in over four years.

"These trends suggest that the output and jobs indices will weaken unless new business growth picks up. But the downturn in the eurozone manufacturing sector as a whole, centred on Germany, casts some doubt on this."

Manufacturing PMI

Netherlands / Eurozone*

sa, >50 = improvement since previous month



*April 2019 flash estimate published 18 April 2019.

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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.

April 2019 data were collected 10-18 April 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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