News Release

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Nevi Netherlands Manufacturing PMI®

Backlogs soar in October despite faster increases in jobs and output

Key findings

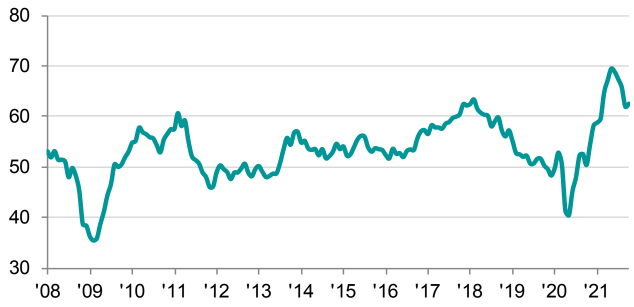
PMI lifted by stronger growth of employment and production

Backlogs of work increase at second-fastest rate on record

Surging input price inflation drives record rise in output prices

Nevi Netherlands Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Data were collected 12-21 October 2021.

The Dutch manufacturing sector experienced a further rapid overall improvement in business conditions at the start of the fourth quarter, according to the latest PMI® survey data from Nevi and IHS Markit. Output and employment expanded at faster rates than in September, but another substantial increase in backlogs and ongoing supply chain delays provided more evidence of severe capacity constraints in the goods-producing sector. October data also indicated a record rise in output prices, reflecting surging cost burdens.

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 for the first time in five months in October to 62.5, from September's seven-month low of 62.0. The headline index has now registered above 60.0 for eight successive months, indicating sustained rapid growth of the sector. The month-on-month increase in the PMI reflected stronger growth of employment and output during the month.

All five PMI components had strongly positive contributions in October. New orders and output rose at similarly marked rates, while growth of employment and stocks of purchases were among the strongest ever recorded in the 21-year survey history. Suppliers' delivery times continued to lengthen to a near-record degree, further boosting the PMI.

Demand for Dutch manufactured goods continued to improve in October, with some reports of long-term orders placed by clients to secure supplies. The rate of expansion was little-changed from September and one of the weakest over the past year, but still strong in the context of historic data. New export orders increased at the slowest rate since November 2020.

Production rose for the fifteenth month running, and at a faster rate than in September. Output remained severely constrained by supply shortages and delays, however. The rate of growth in production was the second-slowest in eight months, and backlogs increased at the second-fastest rate on record. Moreover, manufacturers continued to see their stocks of finished goods decline in order

Comment

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

“The Nevi Netherlands manufacturing PMI increased slightly from 62.0 in September to 62.5 in October, pointing to slightly faster growth. The increase was mostly driven by stronger output growth and a strong increase in employment. The Dutch score is one of the highest in the world, indicating that Dutch firms so far escape the loss of momentum in global manufacturing. Indeed, the growth of new export orders slowed down further. However, after almost a year of very strong demand, Dutch firms seem to have the biggest backlogs ever. Moreover, the PMI survey data show that backlogs kept increasing at a fast pace in October. This means that although the Dutch industrial production is at a record level, there is still not enough output to meet demand. Thus, Dutch firms do not really need to worry about the slowdown of global growth.

"Of course, firms do worry about the ongoing severe disruption of supply chains and the record suppliers’ delivery times. Buyers are struggling to get their hands on sufficient inventory to keep production going. Demand for goods ranging from chemicals and plastics to metals and electronics is strong and transportation costs are higher than ever. This has led to a record increase of input prices in July. Apart from the costs of materials and transportation, gas and electricity prices have also soared during the past few months. Transportation costs will probably remain high into the first quarter of 2022, but might normalise then as a result of slowing growth of world trade and inventory build-up.

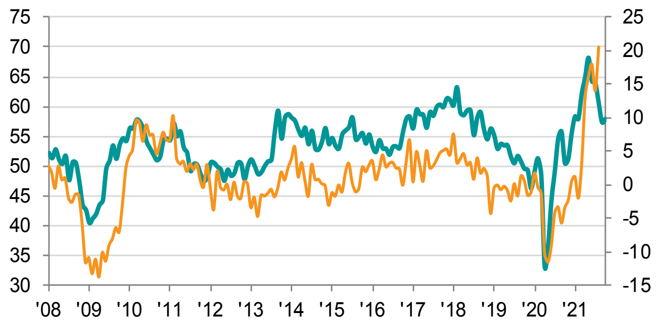
"Until October, output prices seemed to have increased at a much slower pace than input prices, which for some firms have put pressure on margins. In October, however, the increase of output prices finally took off. The survey data show that 54 percent of firms increased output prices in October, a new record. It looks like most firms, benefiting from strong demand for their products, are raising output prices to protect their profit margins. Perhaps some firms have not done this earlier because output prices were fixed in contracts. We expect that this trend of rising output prices will continue into 2022 as more contracts expire and firms seize the moment to pass on cost increases to their clients. This might lead to higher prices of for example machinery, packaging and building materials."

to meet demand. Output expectations remained strong as firms expected markets to continue to recover into 2022.

Purchasing activity by manufacturers continued to expand rapidly in October. Greater input buying reflected efforts to meet current demand, replenish stocks and secure long-term supplies. The rate of growth accelerated since September and was among the fastest on record. Suppliers' delivery times continued to lengthen to a degree unprecedented in the survey history prior to 2021.

Stocks of inputs increased further in October, partly reflecting the accumulation of unused items due to shortages of other key components.

Manufacturing input costs continued to soar in October, reflecting strong demand for scarce raw materials, transportation and energy prices. The rate of inflation accelerated for the first time in three months, prompting a record increase in manufacturing output prices in October.



Sources: IHS Markit, Eurostat.

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Survey 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.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history

Data were collected 12-21 October 2021.

Survey data were first collected March 2000.

Nevi

With over 6500 purchasing professionals, Nevi® is the 3rd largest purchasing association in the world and has been the knowledge network for purchasing and supply management since 1956. Nevi makes purchasing knowhow accessible for everyone involved in the purchasing process by organising (inter)national conventions, networking events, certificated professional educational programmes and national and international customized (in-house) training. Nevi is the first purchasing association to have received the Global Standard for its educational programmes in purchasing. It has a research commission and supports university professors, lecturers and doctoral students. The Nevi code of conduct is ground-breaking in its field. For more information about Nevi activities and membership, please visit our website: www.nevi.nl.

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IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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.