News Release

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NEVI Netherlands Manufacturing PMI®

Manufacturing recovery loses momentum in October

Key findings

Headline PMI dips to three-month low at 50.4

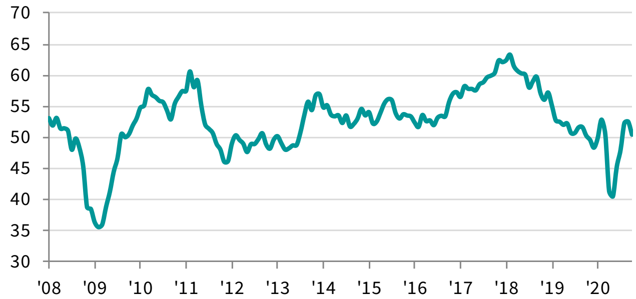
Output growth weakens, with uptick in orders also slowing

Business confidence remains subdued amid pandemic uncertainty

Data were collected 12-22 October 2020.

Netherlands Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Conditions in the Dutch manufacturing sector improved at a slower pace in October, according to the latest PMI® survey from NEVI and IHS Markit. The recovery lost momentum amid noticeably slower increases in both output and new business. Meanwhile, confidence regarding the 12-month outlook for output moderated again, with some panellists citing uncertainty regarding the longevity of the coronavirus disease 2019 (COVID-19) pandemic and sustainability of any economic recovery.

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 headline PMI dipped to a three-month low of 50.4 in October, down from 52.5 in September, and signalled only a marginal improvement in the health of the goods producing sector.

The weaker headline figure was partly driven by lower sub-index readings for output and new orders. Although factory production rose again amid reports of firmer demand conditions and the restart of projects that were previously on hold, the respective seasonally adjusted index shed more than 5 points on the month, with growth near stalling and only marginal.

Similarly, Dutch manufacturers signalled a further uptick in total new orders during October, with panellists linking the latest increase to a further improvement in market conditions. However, the rate of expansion eased from September and was only mild, with companies in some sectors reporting a drop in sales.

Foreign demand for Dutch goods continued to rise, with the rate of expansion solid despite also easing since September. According to respondents, looser lockdown measures in key export markets have boosted overseas sales.

October data also highlighted a slower increase in buying activity at

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Comment

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

"The recovery of Dutch manufacturing is losing steam. Indicators for both output and new orders have declined since the previous month. The NEVI Netherlands Manufacturing PMI declined from 52.5 to 50.4, showing a slight improvement of conditions. Still, it seems unlikely that the recovery will continue during the next few months. In order to deal with the 'second wave' of coronavirus infections, Germany, France and other countries have imposed partial lockdowns. These new measures will suffocate Europe's economic recovery. ABN AMRO Bank expects that the partial lockdowns will cause new orders to decline during the next few months.

"Since the summer, the Dutch manufacturing sector has been slowly recovering from the first lockdown, which lasted from half March until June. Particularly new export orders increased and drove the recovery of Dutch manufacturing output. In October, firms also benefited from exports, as evidenced by the indicator for new export orders, which currently stands at 53.2.

"However, these scores are based on survey data that were collected from 12 to 22 October. The 350 purchasing managers that were interviewed could not take into account the new partial lockdowns, which in Germany and France were only announced last week. These measures will probably lead to decreasing demand for industrial goods. The partial lockdown in the Netherlands, which was announced early October, is only a minor problem, as most of the production depends on exports. Now that Germany and France also impose partial lockdowns, exports will be under pressure. The strong recovery of the Chinese manufacturing sector, which is an important buyer of European industrial goods, can probably not fully compensate that. Hence, ABN AMRO Bank expects that the recovery of Dutch manufacturing conditions will grind to a halt."

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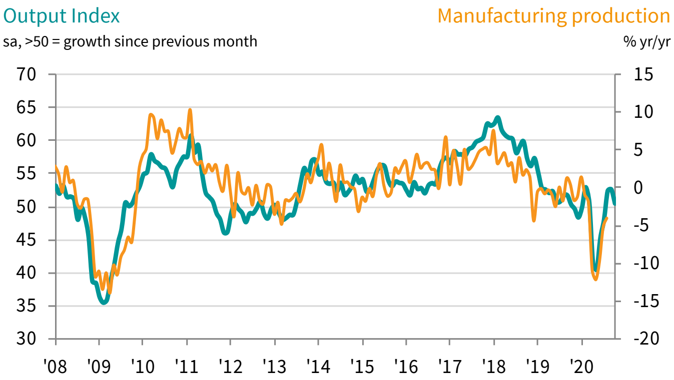
Dutch goods producers, with the rate of expansion edging down to just a marginal rate. Meanwhile, firms remained cautious about their inventories, as stocks of purchases fell at a solid pace that was the quickest for three months. Post-production inventories also declined.

At the same time, Dutch goods producers made further reductions to their workforce numbers, citing redundancies, company restructuring and the non-replacement of leavers amid the COVID-19 pandemic. Job cuts were less widespread than in September, however.

Nonetheless, October data highlighted a further decline in backlogs of work, with firms noting that there was still ample capacity to deal with new and existing orders. The rate of backlog depletion was the slowest in the current seven-month sequence of reduction, but still solid.

Concurrently, average cost burdens rose at the quickest rate since April 2019. Greater raw material costs and higher prices at suppliers were the main drivers of inflation, according to panellists. Meanwhile, average charges increased only slightly.

Looking ahead, the 12-month outlook for output remained historically subdued. Albeit still positive overall, the level of sentiment moderated further from August's six-month high, with some respondents citing concerns about the longevity of the pandemic and durability of any economic recovery.



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 12-22 October 2020.

Survey data were first collected March 2000.

NEVI

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