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## NEVI Netherlands Manufacturing PMI®

# Manufacturing sector expands sharply in March, despite severe supply chain disruption

### Key findings

Rapid upturn in output amid record growth of new work

Most severe supply delays in survey history leads firms to build stocks

Inflationary pressures strongest for a decade

Data were collected 12-23 March 2021.

The Dutch manufacturing sector continued to record rapid growth during March, according to the latest PMI® survey from NEVI and IHS Markit, with the latest upturns in new work and output the quickest and second-steepest on record, respectively. Supply chain disruption intensified at the end of the first quarter, however, with companies building up their inventories of inputs as a result. Meanwhile, stock shortages and higher transport fees added further upwards pressure on prices, with both input costs and output charges rising at the fastest rates for a decade.

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 rose from 59.6 in February to a record high of 64.7 in March, and signalled a further substantial improvement in the health of the sector.

Across the five constituent indices of the PMI, new orders and output provided the biggest boosts to the headline figure. Growth of factory production hit the fastest since February 2018, while the latest expansion in order book volumes was the most marked on record. Foreign demand for Dutch goods also rose at the steepest pace in the survey's history during March.

A further move downwards for the Suppliers' Delivery Times Index (inverted in the calculation of the PMI) also contributed to the uplift in the headline index. Average lead times for inputs lengthened to the greatest extent since data collection began in March 2000, with panellists blaming delays on supply constraints and stock shortages amid surging demand, as well as further logistical problems amid ongoing coronavirus disease 2019 (COVID-19) restrictions.

Material shortages were also linked by respondents to further stock building during March. Both buying activity and pre-production

*continued...*

Netherlands Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

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

"The NEVI Netherlands Manufacturing PMI increased further from 59.6 in February to 64.7, the highest score on record. New orders, both domestically and abroad, rose at the fastest rate on record, in spite of severe lockdowns. The high demand is probably driven by optimism about economic recovery later this year.

"However, the fast growth comes at a cost. Suppliers' delivery times for inputs lengthened to the greatest extent on record. The delays seem even worse than during the start of the pandemic in 2020. Inflation also accelerated, with input prices rising at the quickest pace since ten years. In Germany and in the eurozone as a whole, the situation seems similar. The PMI scores are based on data that were collected until 23 March 2021. That day, the ultra large container ship Ever Given run aground en route from China to Rotterdam, blocking the Suez Canal and forcing other vessels to sail around the Cape of Good Hope, adding five to six days to the normal journey through the Suez Canal. There is no doubt that the blockage will lead to even longer delivery times and higher input costs in April. Now that ships can pass through the canal again, these will arrive at the same time as many other ships that have sailed around the Cape. This will most likely cause chaos in European ports, which would lead to even more delay.

"Even though suppliers' delivery times are slowing down production, with some car factories temporarily shutting down because of shortages, output growth has accelerated. The big question is whether firms can continue to increase output during the following months amid further supply chain disruption."

inventories increased at the steepest pace on record, with firms also citing greater production requirements. At the same time, holdings of manufactured items fell sharply amid reports that new orders were being fulfilled from inventories where possible.

Meanwhile, Dutch goods producers continued to take on additional staff in March. Anecdotal evidence linked the latest round of job creation, which was the fastest since January 2019, to efforts to expand capacity and rising sales. Indeed, March data highlighted the strongest increase in backlogs of work since July 2006.

Turning to prices, inflationary pressures continued to build during March. Greater raw material costs, supplier shortages and increased transport fees were linked by panellists to a further uptick in cost burdens, which rose at the fastest rate since March 2011. In response, companies increased their average charges again, with the rate of inflation also the fastest for a decade.

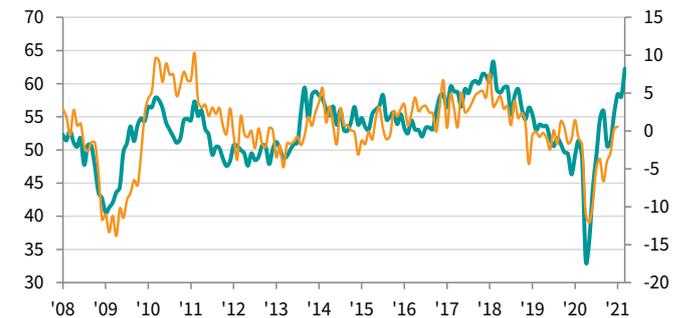
Dutch goods producers maintained a confident outlook for the coming year. The Future Output Index rose to a three-year high, with anecdotal evidence linking optimism to hopes of a sustained improvement in demand, greater investment, and a global economic recovery when the pandemic ends.

Netherlands Manufacturing PMI Output Index

sa, &gt;50 = growth since previous month

Manufacturing production

% yr/yr



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](mailto:economics@ihsmarkit.com).

### Survey dates and history

Data were collected 12-23 March 2021.

Survey data were first collected March 2000.

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### 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](https://ihsmarkit.com/products/pmi.html).