News Release

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Nevi Netherlands Manufacturing PMI®

Dutch manufacturing upturn slows further in December

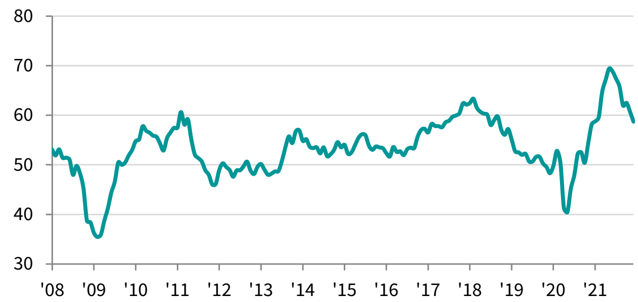
Key findings

Weakest increases in output, new orders and exports for over a year

Inflation and supply chain pressures ease slightly but remain severe

Firms build input stocks at near-record pace

Data were collected 6-15 December 2021.



Source: IHS Markit.

The latest PMI® survey data from Nevi and IHS Markit pointed to an overall improvement in Dutch manufacturing business conditions at the end of 2021, but a further loss of momentum. Output, new orders and exports all registered their slowest gains since late-2020, while growth in employment and backlogs also moderated. Supply chain pressures remained severe, although the increase in average lead times in December was the smallest since February. Cost pressures remained intense, though the rate of inflation eased to a three-month low.

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 dipped from 60.7 in November to 58.7 in December, the sixth decline in the past seven months. It was the first sub-60 reading since February, and signalled the slowest overall improvement in business conditions since December 2020. Nevertheless, the headline figure remained well above its long-run trend level (since 2000) of 53.0.

The 2.0-point decline in the PMI in December was the second-largest observed in 2021. It was driven by four of the five components with the largest impact coming from new orders (-0.9), followed by output (-0.7), suppliers' delivery times (-0.5) and employment (-0.3). The stocks of purchases index boosted the PMI by 0.4 points.

The key indicators of output and new orders both registered expansions in December, extending their respective growth sequences to 17 months. New orders rose solidly overall, as markets continued to recover and customers placed early orders due to expected delays and price increases. That said, the rate of growth slowed for the fifth time in six months to the weakest since October 2020. New export business increased at the slowest pace in 13 months, despite reports of improving demand from Asia, the US, UK and Scandinavia. Output saw a similar trend to new work, rising at the slowest rate since November 2020 and one broadly in line with the long-run survey average. Output expectations remained strongly positive, though sentiment was little-changed from November's 13-month low.

Comment

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

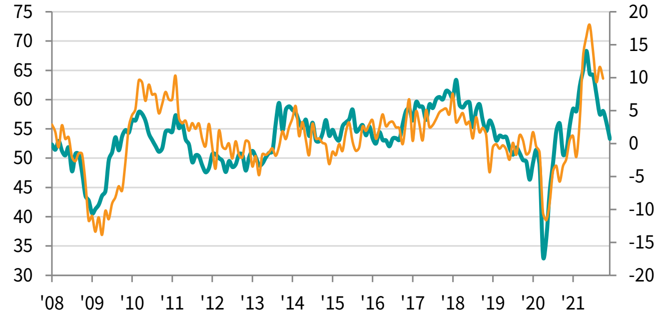
"The Nevi Netherlands manufacturing PMI decreased from 60.7 in November to 58.7 in December, indicating the slowest growth since the late 2020, when the sector's recovery gained speed. Most underlying indicators point to slowing growth, including new orders, output and employment. Still, the industry seems to continue to grow, although Dutch industrial output is well above pre-pandemic levels. Moreover, growth is still strong, in spite of uncertainty around the impact of the omicron strain of coronavirus. Demand for investment goods remains particularly strong, with backlogs still increasing despite the record output since last spring.

"As businesses close the books for the year, many take note of the declining cash position and increasing debt level, which is caused by the fast growth amid high inflation. Both input and output prices continue to rise very fast, which might force firms to take on extra debt to finance their inventories. Materials are becoming more expensive and many firms have been panic buying anticipating shortages and long delivery times, which now leads to a fast increase of inventories of materials.

"It does seem like supply and demand are becoming more balanced, with inventories of finished goods only declining slightly. However, omicron has already disrupted supply chains. Countries such as China prefer to be safe rather than sorry and order lockdowns of factories and quarantine measures in container terminals in response to just a small number of infections. Omicron might also lead to more lockdowns in Europe, which might drive consumer spending on goods. Thus, omicron might lead to more supply chain disruption and an increase of demand for goods, which might make shortages even worse."

New business intakes were sufficiently strong to generate another rise in outstanding work in December, although the increase in backlogs was the weakest since January. Firms continued to sell direct from stock, although the decline in inventories in December was only modest. Employment rose at the slowest rate since March, partly reflecting high staff turnover and shortages of suitable candidates. That said, the overall rise remained strong relative to the long-run survey trend.

Purchasing of inputs continued to rise sharply in December, albeit at one of the weakest rates in 2021. The latest increase was strong enough to generate one of the greatest increases in input stocks in the survey history as firms guarded against future shortages and price hikes. Suppliers' delivery times continued to lengthen markedly, albeit to the smallest degree since February, while input price inflation remained severe despite easing to a three-month low. Output price inflation was also weaker than in October and November, but still the fifth-highest on record.



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 6-15 December 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.