News Release

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NEVI Netherlands Manufacturing PMI®

Output growth accelerates as new orders surge

Key findings

Headline PMI signals quickest improvement in conditions since late-2018

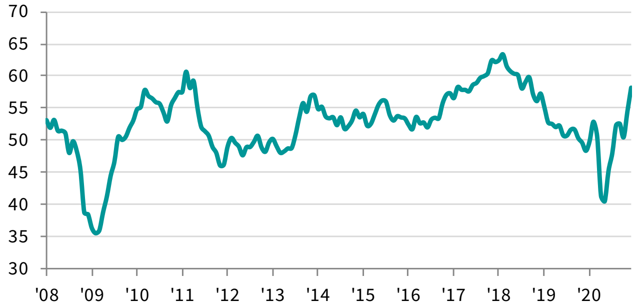
Faster increase in output as new order growth hits 34-month high

Inflationary pressures mount amid ongoing supply chain disruptions

Data were collected 04 - 15 December 2020.

Netherlands Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

December saw a continuation of the Dutch manufacturing recovery, according to the latest PMI® survey from NEVI and IHS Markit, with the health of the sector improving further amid faster growth of both output and new orders.

However, increased demand for inputs and ongoing coronavirus disease 2019 (COVID-19) related supply chain disruption led to greater inflationary pressures. Input prices rose at the fastest pace since late-2018, while the rate of charge inflation was the sharpest for nearly two 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 headline PMI rose for the third month running, posting 58.2 in December, up from 54.4 in November, and signalling the quickest improvement in the health of the manufacturing sector since September 2018.

At the sub-sector level, the improvement was broad-based and led by the intermediate goods segment, where growth quickened noticeably on the month.

Further increases in output and order books were principal to the upwards movement in the headline figure during December. Factory production rose at the second-quickest pace for two years and sharply, while growth of total new orders was the most marked since February 2018, attributed to improved demand conditions. New export orders saw a similarly marked increase, with the rate of expansion also the quickest since early-2018.

Meanwhile, goods producers increased their buying activity again in December, with the uptick the sharpest for 27 months. Greater demand for inputs, stock shortages, and ongoing COVID-19 related delays led to further supply chain disruption, however, with lead times lengthening to the greatest extent since April.

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Comment

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

"Although the Covid-19 pandemic is not over yet, the Dutch manufacturing sector posts a strong recovery. The NEVI Netherlands manufacturing PMI rose to 58.2 in December, the highest score in two years. New orders increased at the highest rate since February 2018. Both new export orders and domestic new orders jumped, despite the recession in the eurozone and the full lockdown in the Netherlands. It seems that demand is rising because the economic outlook has improved thanks to the vaccine news. Another reason why new export orders are rising might be that China's manufacturing sector is showing strong growth, leading to increased imports from for example Germany, the Netherlands' largest trading partner.

"Output rose sharply. Moreover, it seems that demand has improved so quickly that firms cannot keep up. Both input prices and output prices increased sharply, which is a clear sign that demand is improving and the recovery is broad-based. For the first time since the start of the pandemic, backlogs of work increased. Although this was partly caused by supply chain issues, this is a good sign.

"Lack of staff, too, was a bottle neck. Probably firms will try to hire more staff in order to ramp up production. If suppliers can increase output, this might ease delivery times and help the Dutch manufacturing sector to improve output even further in January."

At the same time, firms registered a further increase in pre-production inventories, linked by panellists to greater production requirements. The rate of growth slowed on the month, but remained strong overall.

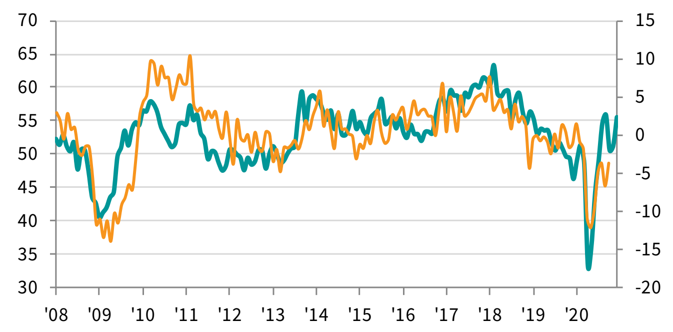
Shortages were also attributed by panellists to greater inflationary pressures during December, alongside higher transport costs and additional COVID-19 related expenditure. Input prices rose for the fifth month in a row, with the rate of inflation the most marked for over two years.

Subsequently, average output charges increased at the fastest pace since January 2019 and sharply overall, amid reports that higher costs were being passed on to clients.

Greater production requirements and improved client demand led Dutch firms to take on additional staff for the second month running in December. The rate of job creation quickened on the month, but was moderate overall.

Concurrently, latest data highlighted increased capacity pressures, as backlogs of work rose for the first time since March.

Finally, confidence with regards to output over the year ahead remained robust in December. The Future Output Index was unchanged on the month and the joint-highest for over two years. Panellists attributed confidence to improved client demand, positive vaccine news and hopes of a strong 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 04-15 December 2020.

Survey data were first collected March 2000.

NEVI

With over 8000 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 foundation 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.