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NEVI Netherlands Manufacturing PMI®

Manufacturing growth remains strong in August despite further loss of momentum

Key findings

PMI at fifth-highest level on record at 65.8

Slowest increases in new orders, output and exports for six months

Input price inflation eases from July's survey record

Data were collected 12-20 August 2021.

The Dutch manufacturing sector continued to expand at a rapid pace in August, the latest PMI® survey from NEVI and IHS Markit signalled. Overall business conditions improved at the slowest rate in five months, albeit one that remained stronger than in any survey period prior to April. Growth rates for production, new orders and exports all remained historically strong despite easing to six-month lows. Moreover, manufacturing employment rose at the third-fastest rate on record, and backlogs at the fourth-fastest ever pace as severe supply bottlenecks persisted. Meanwhile, input cost inflation remained intense despite easing slightly on July's survey-record high.

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 fell for the third month running to 65.8 in August, from July's 67.4. The 1.6-point fall in the PMI was slightly larger than those seen in June (-0.6) and July (-1.4). That said, it was still the fifth-highest figure on record and signalled a rapid overall improvement in manufacturing business conditions. Since the survey began in 2000, the PMI has averaged 52.9.

All five PMI components provided strongly positive overall contributions to the headline figure in August. The dip in the PMI since July reflected the new orders and output components, partially offset by the employment and stocks of purchases components.

Demand continued to improve strongly in August. New order growth eased further from June's record, but was still the sixth-highest registered since the survey began in 2000. New business rose sharply in both domestic and export markets while, by sector, consumer goods registered the fastest expansion for the third month running as growth of investment goods orders slowed notably.

Output again struggled to keep pace with new orders in August, rising at a comparatively slower rate for the tenth time in 11 months. Growth eased to a six-month low but was still among the strongest ever seen in more than two decades of data collection.

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



Source: IHS Markit.

Comment

David Kemps, Sector Banker Manufacturing at ABN AMRO, commented:

“Despite new supply chain issues following a surge of delta variant Covid-19 cases in Asia, the August manufacturing figures for output and new business from abroad are still strong. Even though the NEVI PMI index of 65.8 dropped to a similar level as March 2021, this is a smaller than expected decline considering the global supply chain disruptions from the delta variant related lockdowns in Asia and the floods and forest fires elsewhere.”

“The new lockdowns have led to the closure of production plants for electronics and microchips and major export ports in China. Car manufacturers such as Toyota and Audi and VDL Nedcar in the Netherlands have had to shut down production as a result of this.”

“The subindices for new orders and output fell to 64.2 and 60.8 respectively in August. For new orders this was largely the result of a drop in Asian demand for investment goods. Output was affected by material shortages and the fact that capacity utilisation of many Dutch plants has reached its maximum. The last issue is hard to resolve as the delivery times for new production equipment are very long and the shortage of qualified technical staff makes implementing multiple production shifts difficult.”

Production was again constrained by supply shortages. Input delivery times lengthened to the fifth-greatest degree on record in August, attributed to insufficient transport capacity and widespread raw material shortages due to rising global demand. As a result, backlogs of work at Dutch manufacturers increased at the fourth-fastest rate on record, and stocks of finished goods were depleted further.

Manufacturers boosted capacity in August with another strong increase in employment, the third-fastest in the survey history. Firms also raised purchasing in order to safeguard inventories against future supply delays and shortages. Input stocks increased at the second-fastest rate on record. This reflected stronger output expectations for the next 12 months, with overall sentiment the highest since May.

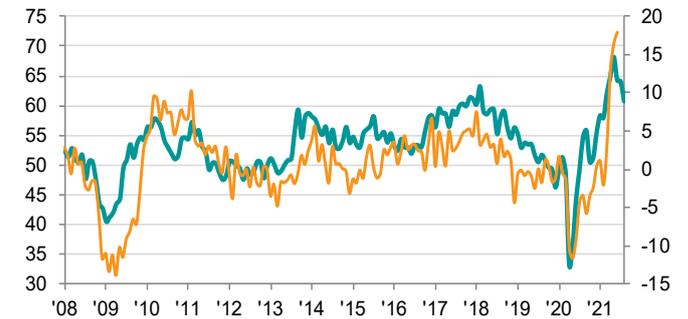
Rising demand for inputs and shortages led to another rapid rate of input price inflation in August, albeit one that eased slightly from July's all-time high. Manufacturing output prices continued to rise sharply as a result with firms again passing on greater costs to clients.

Netherlands Manufacturing PMI Output Index

sa, >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.

Survey dates and history

Data were collected 12-20 August 2021.

Survey data were first collected March 2000.

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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.