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NEVI Netherlands Manufacturing PMI®

Slowest rise in manufacturing output in 2021 so far in September as supply chain pressures persist

Key findings

New order growth eases to seven-month low

Backlogs rise sharply as supply chains remain under severe pressure

Input price inflation moderates, but charge inflation accelerates

Data were collected 13-22 September 2021.

The Dutch manufacturing sector continued to expand strongly at the end of the third quarter despite a further loss of momentum, the September PMI® survey data from NEVI and IHS Markit showed. Overall business conditions improved at the slowest rate in seven months, reflecting softer increases in output, new orders, employment and stocked inputs, albeit one that remained among the fastest in the 21-year survey history. The latest data also signalled a further easing of cost inflationary pressures, though they remained severe overall, while output price inflation accelerated since August to the third-highest on record.

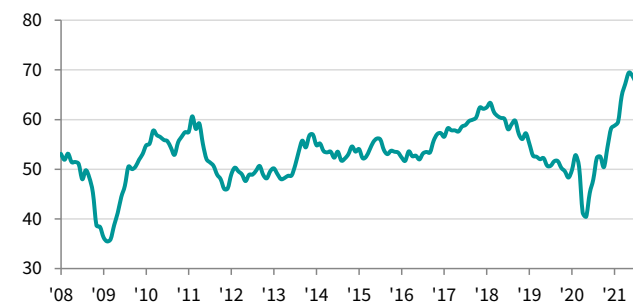
The NEVI Netherlands Manufacturing PMI is a composite single-figure indicator of manufacturing performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. The PMI fell for the fourth month running to 62.0 in September, from August's 65.8. The 3.8-point fall in the PMI was the greatest observed since April 2020's record 9.2-point plunge, and the fourth-largest recorded in the survey history. That said, the latest figure still signalled a marked overall rate of growth in the goods-producing sector, and remained well above the long-run average of 52.9. The PMI trended at 65.0 in the third quarter, down from the record high of 68.5 set in the second quarter but still higher than in any other quarter in the survey history.

All five components of the PMI had strongly positive contributions in September, although all except suppliers' delivery times had negative directional influences since August. The output, new orders, employment and stocks of purchases indices slipped to nine-, seven-, six- and five-month lows, respectively.

Demand for Dutch manufactured goods rose strongly in September as market conditions continued to recover. Firms also reported advance orders by customers due to the risk of further supply delays. That said, the rate of new order growth was the slowest since February, a trend also shown for new export business.

There was a further rise in output in September, extending the

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



Source: IHS Markit.

Comment

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

"The Dutch manufacturing sector is still growing at a fast pace, albeit slower than during the past six months. The NEVI Netherlands manufacturing PMI dropped from 65.8 in August to 62.0 in September, which means that growth continued to slow down. However, this does not come as a surprise. The Dutch manufacturing sector has shown record growth this spring, leading to output above and beyond the pre-pandemic level. Moreover, the sector is struggling with record lead times and material shortages, shortages of staff and high utilization of fixed capacity.

"It is rather surprising that Dutch firms continue to grow at such a fast pace in spite of all the supply chain issues. Supply chains are still severely disrupted by lockdowns in Asia and delays in container shipping. Car manufacturing, in particular, is hit hard by the microchip shortage, slowing down production in Germany. In the Netherlands, however, car production is relatively small compared to the manufacturing sector as a whole. This might be one reason why the Dutch manufacturing sector seems to be growing at a markedly faster rate than industrial output in many other countries. Another reason might be that Dutch firms such as ASML and their suppliers benefit from the solid growth of the semiconductor industry.

"Still, material shortages and high input costs will be challenging for Dutch firms. The firms that do supply car manufacturers are building up inventory of finished products, since fewer cars are produced. At the same time, inventory is becoming more expensive because of higher input costs for materials, parts, energy and transportation. Input costs are still rising very rapidly, as evidenced by the Input Prices Index which has only eased slightly from July's record high. This leads to an increase of gross working capital. The high gas prices have forced some Dutch firms to cut production, particularly in the chemical industry. Thus, the further slowdown of growth does not come as a surprise."

current sequence of growth to 14 months. The rate of growth slowed for the fourth month running, however, to the weakest in 2021 so far. Companies continued to report that production had been hampered by supply chain problems. Reflecting this, backlogs continued to rise sharply, with the rate of expansion in the latest period the fourth-highest on record. Final goods inventories declined for the fifteenth month running, but only marginally. Manufacturers continued to raise staffing levels to support output. The rate of job creation was strong overall, but the weakest since March.

Suppliers' delivery times lengthened at one of the most substantial rates ever recorded in September as widespread shortages of raw materials, electronic components and shipping containers persisted. Consequently, input price inflation remained elevated despite easing to a five-month low. In contrast, output charge inflation accelerated in September, and was the third-highest on record.

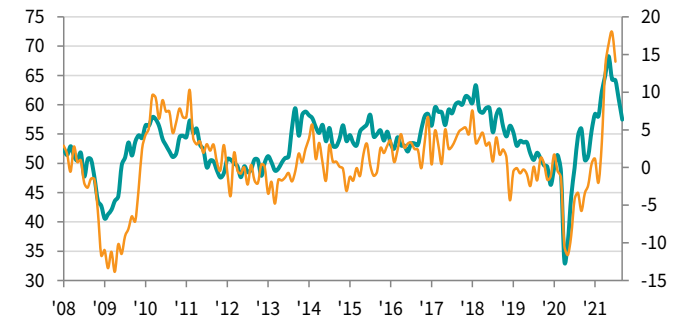
The 12-month outlook for production remained strongly positive in September. Firms linked growth expectations to a continued market recovery, new products, backlogged work and the easing of current supply chain pressures.

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 13-22 September 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.