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NEVI NETHERLANDS MANUFACTURING PMI®

Manufacturing conditions remain sluggish in September

KEY FINDINGS

Slower growth of new orders and output

Rate of job creation accelerates to eight-month high

Inflationary pressures weaken

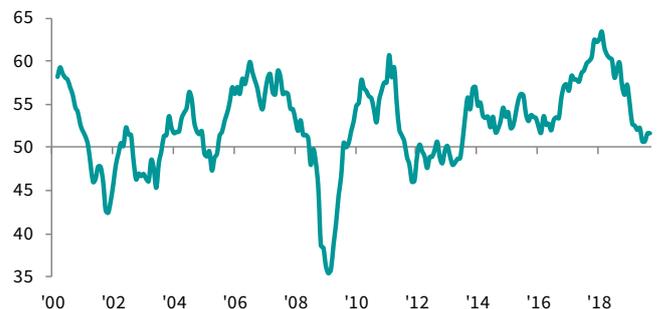
Operating conditions faced by Dutch manufacturers improved only modestly in September, according to the latest PMI® survey data from NEVI and IHS Markit. Central to the subdued improvement in business conditions was easing new order growth, resulting in a slower rate of output expansion compared to that seen in August. Despite this, workforce numbers across the manufacturing sector continued to rise, with the rate of job creation quickening to the fastest in eight months. Inflationary pressures weakened, with input prices rising only marginally, while the rate of output price inflation was markedly below the long-run series' average.

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 was unchanged from August at 51.6 in September, signalling a modest improvement in operating conditions. The headline PMI posted below the long-run series average of 52.7. That said, September data marked 75 months of continuous improvement in the sector and the headline figure remained above the recent lows seen in June and July.

The sluggish improvement in the Dutch manufacturing sector mainly reflected a softer increase in new order volumes in September, which rose only marginally overall. New business from abroad fell for the second time in three months, reflecting weak foreign demand. That said, the reduction was only fractional.

Output growth was sustained in September, driven by

Manufacturing PMI
sa, >50 = improvement since previous month



consumer goods. The rate of growth was only marginal, however, reflecting another fall in investment goods production.

Cost pressures moderated further in September. Input price inflation was the weakest in the current 37-month sequence, with cost burdens rising fractionally overall. Factory gate charges increased marginally, and at a rate that was the joint-lowest in the current three-year sequence of rising prices.

Meanwhile, employment continued to rise across the manufacturing sector, with firms reporting an acceleration in the rate of job creation to the fastest in eight months.

Purchasing activity broadly stagnated in September, as firms responded to sluggish demand conditions, with buying levels rising only fractionally. Subsequently, the rate of increase in pre-production inventories slowed to the weakest in the current three-month sequence of rising input stocks.

Stocks of finished goods declined for the first time since April. That said, the fall was only fractional.

Finally, Dutch manufacturers' expectations regarding output over the next 12 months remained positive overall. Moreover, the strength of sentiment was the highest in eight months.

COMMENT

Lewis Cooper, Economist at IHS Markit, which compiles the Netherlands Manufacturing PMI survey, commented:

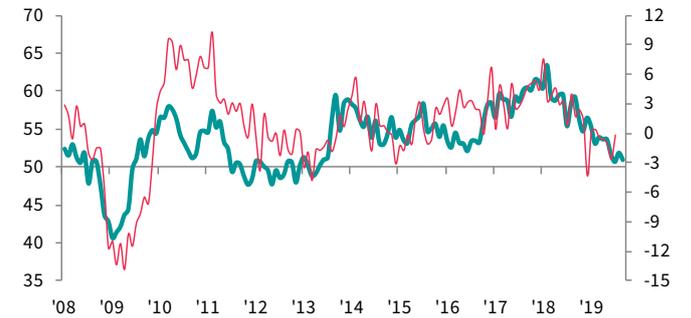
“Operating conditions across the Dutch manufacturing sector continued to improve at only a modest pace in September, according to the latest PMI data.

“Conditions were sluggish due to subdued growth in new business and output, both of which weighed on the headline figure. Output expanded at one of the weakest rates since early-2013, while new export orders fell for the second time in three months. On a more positive note, manufacturers continued to expand their workforce, as growth of employment reached an eight-month high, and inflationary pressures eased since August.

“Nonetheless, the Dutch manufacturing sector remains in a relatively subdued state. Growth remains suppressed in the context of historical data. Official data, which is updated to July, indicated a year-on-year fall in manufacturing production, with PMI data for August and September pointing to further weakness.”

Output Index

sa, >50 = growth since previous month



Source: IHS Markit, Eurostat.

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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.

September 2019 data were collected 12-20 September 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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. To learn more go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).

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NEVI

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