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NEVI NETHERLANDS MANUFACTURING PMI®

Slowest growth of Dutch manufacturing sector since September 2016

KEY FINDINGS

PMI falls to 28-month low of 55.1

New export business rises only modestly

Backlogs decline for third time in four months

The first batch of PMI® survey data from NEVI and IHS Markit for 2019 pointed to a slight loss of momentum in the Dutch manufacturing sector in January. Overall business conditions improved at the slowest pace since September 2016 as growth rates for output, new orders and employment all moderated. New export business rose only modestly, partly reflecting weakness in Germany. Moreover, backlogs fell slightly and stocks of finished goods were accumulated further, signalling a further slowdown in production growth in the coming months.

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 to a 28-month low of 55.1 in January, from 57.2 in December, signalling a weaker improvement in business conditions. The headline figure has fallen eight times since hitting a record high of 63.4 in February 2018. That said, it remained comfortably above its long-run level of 52.7 in the latest period.

A key factor behind slower overall growth of the sector was a weaker rise in new orders. The rate of expansion eased for the first time since October to the softest since September 2016. This was influenced by weak export demand, linked by some respondents to the German autos sector. New export orders rose at the slowest rate in the current growth sequence, stretching back to July 2016.

There was evidence from the survey sub-indices that

Manufacturing PMI
sa, >50 = improvement since previous month



manufacturers have been slow to adjust production to the recent moderation in new order growth. Despite falling since December, the Output Index remained at a higher level than the New Orders Index in January, as has been the case four times in the past five months. Consequently, inventories of unsold goods built up for the fourth month running – the joint-longest sequence in the survey history – and backlogs of work fell for the third time in four months. These trends suggest output growth may slow further.

The weakest increase in purchasing activity in over two-and-a-half years alleviated some pressure on supply chains in January. Input delivery times continued to lengthen, but by the least since December 2016.

Input price inflation remained strong and rose slightly in January, partly due to an increase in the VAT rate. Firms also linked cost pressures to raw materials, transport and energy costs. Notably, output prices rose at the second-fastest rate in nearly eight years as manufacturers passed on costs to customers.

Dutch manufacturers were optimistic regarding expected output in 2019. Some firms commented that growth would be slower compared with a very busy 2018, however. Reflecting this, the Future Output Index was the second-lowest in 28 months.

COMMENT

Trevor Balchin, Director at IHS Markit, which compiles the Netherlands Manufacturing PMI survey, commented:

"Has the Netherlands finally caught Germany's cold? January's PMI signalled a loss of momentum in the Dutch manufacturing sector, with the headline figure falling to a 28-month low. The key driver was slower growth of new orders, which in turn reflected a weak rise in export business. Some companies linked this to the current afflictions of the German auto industry.

"Underlying survey data signalled downside risks to output growth in the coming months. Production continued to expand at a faster rate than new work, resulting in higher stocks of finished goods and falling backlogs. The survey also signalled an inflationary impact from the rise in VAT to 9%, with prices charged increasing at the second-fastest rate in nearly eight years.

"Although growth clearly slowed at the start of the year, the Netherlands remains a bright spot in the eurozone. At 55.1, the latest PMI reading is still at a historically strong level and way above the eurozone figure of 50.5, the lowest in over four years".*

Manufacturing PMI

Netherlands / Eurozone*

sa, >50 = improvement since previous month



*January 2019 flash estimate published 24 January 2019.

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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.

January 2019 data were collected 11-23 January 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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