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NEVI NETHERLANDS MANUFACTURING PMI®

Dutch manufacturers report slowest new order growth in over two years in October

KEY FINDINGS

Slower growth of output and jobs

Backlogs of work decline for first time since July 2017

Price pressures remain elevated

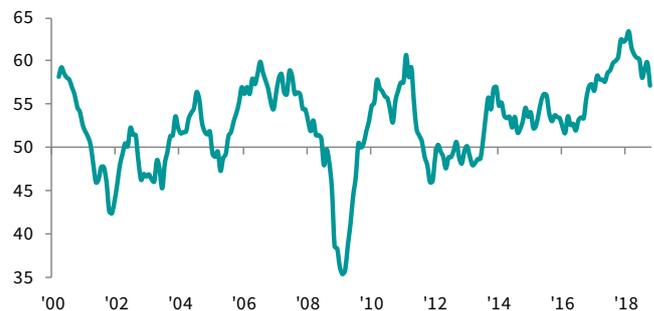
Dutch manufacturing growth lost momentum in October as new orders increased at the slowest pace in over two years, according to the latest PMI® survey data from NEVI and IHS Markit. The headline PMI fell to a 21-month low, reflecting slower growth of output, new orders and employment and a less substantial lengthening in suppliers' delivery times. The latest survey results also revealed the weakest increase in new export orders in two years and ongoing strong inflationary pressures.

The NEVI Netherlands Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector.

The PMI fell from 59.8 in September to a 21-month low of 57.1 in October, signalling a weaker overall improvement in manufacturing business conditions. It was the sixth month-on-month decrease in the headline figure in the past eight months. Moreover, the 2.7-point drop in the PMI was the greatest observed in a single month in over seven years. By sector, investment goods remained the strongest-performing category.

The drop in the headline PMI was reflective of slower increases in output, new orders and employment, and a less severe lengthening of input delivery times. New work increased at the weakest rate since September 2016. Output rose for a record sixty-sixth consecutive month, but

Manufacturing PMI
sa, >50 = improvement since previous month



at the second-slowest rate in two years. New export orders increased at the softest rate in two years.

Continuing a trend stretching back to March 2015, Dutch manufacturing employment rose in October. The rate of job creation remained strong in the context of the survey history, but eased to a 16-month low.

Supply chain pressures remained evident in October. Suppliers' delivery times lengthened markedly during the month, albeit to the least extent since August 2017. The volume of inputs ordered by manufacturers continued to rise, but at the slowest rate in two years.

Cost pressures facing Dutch manufacturers remained strong in October. The rate of input price inflation eased from September's eight-month high, but remained well above the historic trend since the survey began in March 2000. Firms reported higher prices for plastics and cardboard, and oil-related items in general. Manufacturing output price inflation also remained strong at the start of the final quarter of 2018.

Output expectations among Dutch manufacturers were the weakest in 25 months in October. That said, firms continued to mention planned investment in capacity in expectation of new orders.

COMMENT

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

“The Dutch manufacturing sector lost momentum in October, with the headline PMI falling to its lowest level since January 2017. Moreover, the month-on-month decline in the PMI, at 2.7 index points, was the largest observed in over seven years.

“Output, employment and new orders all increased at slower rates in October, with the latter rising at the weakest pace since September 2016. Moreover, backlogs of work fell for the first time since July 2017.

“The recent slowdown should, however, be viewed in the context of a sustained period of record high growth rates in late-2017 and early-2018. Furthermore, the Dutch manufacturing sector continues to expand at a faster rate than both Germany the eurozone as a whole, according to the latest flash PMI figures.”

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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.

October 2018 data were collected 12-23 October 2018.

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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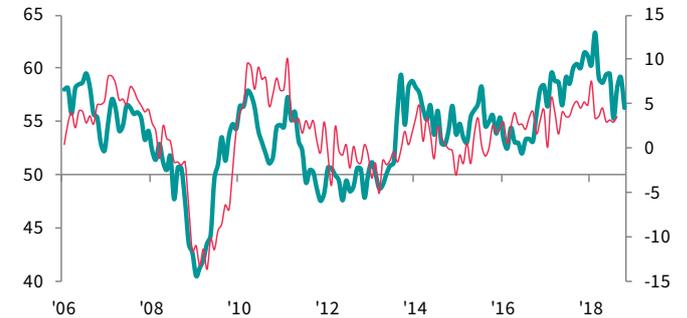
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Output Index

sa, >50 = growth since previous month

Manufacturing production

%yr/yr



Source: IHS Markit, Eurostat.

About IHS Markit

IHS Markit (Nasdaq: 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.

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NEVI

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