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NEVI NETHERLANDS MANUFACTURING PMI®

Dutch manufacturing output growth continues to slow, despite stronger exports

KEY FINDINGS

Weakest rise in output since September 2016

Input price inflation slows sharply

Outlook brightens slightly from October's low

Dutch manufacturing business conditions improved at the slowest pace in over two years in November, according to the latest PMI® survey data from NEVI and IHS Markit. The headline PMI fell to a 25-month low, reflecting slower growth of output and employment and a less substantial lengthening in suppliers' delivery times. New order growth was little-changed from October despite a sharper rise in exports. The latest survey results also revealed the slowest input price inflation since August 2017.

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 57.1 in October to 56.1 in November, signalling the weakest overall improvement in manufacturing business conditions since October 2016. It was the seventh month-on-month decrease in the headline figure in the past nine months. That said, it remained well above its long-run trend level of 52.7. By sector, consumer goods experienced the most notable slowdown in November.

The drop in the headline PMI was reflective of slower increases in output and employment, and a less severe lengthening of input delivery times. Production increased at the softest rate since September 2016, while the pace of job creation hit an 18-month low. Nonetheless, both indicators remained above their respective long-run averages.

Manufacturing PMI
sa, >50 = improvement since previous month



New business received by Dutch manufacturers continued to rise in November. That said, the rate of growth was broadly unchanged from October's 25-month low. This occurred despite a stronger increase in new export contracts, partly linked to demand from Asian markets.

Suppliers' delivery times continued to lengthen markedly in November. A number of firms linked delays to problems with low water levels along the Rhine. That said, the overall degree to which lead times increased was the weakest since April 2017. The volume of inputs ordered by manufacturers rose at the slowest rate in over two years.

Cost pressures facing Dutch manufacturers remained strong in November, as firms reported higher prices for foodstuffs and oil-related items. The rate of input price inflation slowed to a 15-month low but remained well above the long-run survey average (since March 2000). Manufacturing output price inflation also remained strong despite easing to a 13-month low.

Output expectations among Dutch manufacturers brightened slightly in November, having been the weakest in over two years in October. Confidence was linked to new products, ambitious export forecasts and investment in capacity.

COMMENT

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

“The latest Dutch PMI signalled an ongoing slowdown in the manufacturing sector in November, with the weakest overall improvement in business conditions in just over two years”.

“Output and employment both increased at slower rates, with the former rising at the weakest pace since September 2016. Moreover, backlogs of work fell for the second month running.

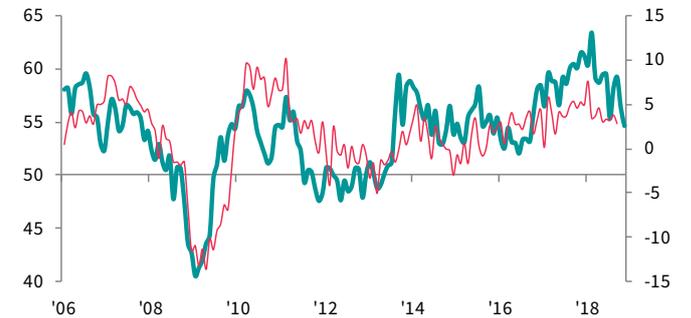
“The recent slowdown should, however, be viewed through the prism of recent out-performance relative to both the survey history and the eurozone as a whole. The Netherlands continues to fare much better than Germany and France, which posted weak manufacturing PMI readings in November according to the flash estimates. Moreover, the forward-looking future output index rebounded from October's two-year low.”

Output Index

sa, >50 = growth since previous month

Manufacturing production

%yr/yr



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.

November 2018 data were collected 12-22 November 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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