**NEVI NETHERLANDS MANUFACTURING PMI®**

Manufacturing new orders fall for first time in six years in June

**KEY FINDINGS**

- Demand weakens in Dutch goods-producing sector
- PMI falls to six-year low of 50.7
- Output growth slows but expectations brighten

The Dutch manufacturing sector posted its weakest performance in six years in June, according to the latest PMI® survey data from NEVI and IHS Markit. Central to the subdued nature of overall business conditions was the first decline in new orders in six years, leading to slower growth of output and employment. Manufacturers cleared backlogs at a sharp rate and cut purchases of new inputs for the first time in over three years. More positively, output expectations over the next 12 months brightened, and input price inflation eased to a 33-month low.

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 remained above 50.0 in June, taking the current sequence of readings signalling expansion to six years. That said, it fell to 50.7, the lowest mark over this period, from 52.2 in May.

As has been the case throughout 2019 so far, consumer goods was the strongest-performing category in June. In fact, overall business conditions worsened slightly in both the intermediate and investment goods sub-sectors.

The overall loss of momentum in the Dutch manufacturing sector in June primarily reflected lower intakes of new orders, the first decline in six years. This was despite a stronger increase in the consumer goods sector. New export orders were broadly unchanged, reflecting weak demand in Germany, the US and UK according to panel members.

June data signalled that growth of output was sustained mainly through backlog clearance. Output rose at the slowest rate since July 2013, and the level of outstanding business was depleted by the most since February 2015. Moreover, weak demand resulted in a build-up of unsold stock for the eighth time in nine months.

Lower new orders led manufacturers to cut their purchasing of inputs in June for the first time since February 2016. Moreover, the rate of decline was the sharpest in six years. Stocks of inputs held by manufacturers fell for the second month running, the first back-to-back contraction since early-2016.

Cost pressures moderated further in June. Input price inflation was the slowest since September 2016, and purchase prices fell at makers of intermediate goods. Some firms reported lower prices for basic materials including metals and wood products. Meanwhile, manufacturing output prices continued to rise solidly.

Output expectations at Dutch manufacturers brightened in June, rising to the strongest in five months. Some firms linked positive forecasts to new products, bigger budgets and a revival in exports.
COMMENT

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

“A decline in new orders in June pushed the Dutch Manufacturing PMI closer to contraction territory. Also weighing on the headline figure were slower increases in output and employment.

“Other survey indicators suggest that the PMI may dip below 50.0 soon as the current record run of output growth is threatened. Higher production in June mainly reflected a strong drop in backlogs, and stocks of unsold goods continued to build up. In a further sign that production may be cut in the coming months, manufacturers reduced their purchasing of new inputs for the first time in over three years.

“The only positives from the latest survey were a further moderation in input price inflation and stronger 12-month output expectations.”

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