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NEVI NETHERLANDS MANUFACTURING PMI®

Manufacturing conditions remain sluggish despite uptick in new order growth

KEY FINDINGS

New order growth remains slower than production

Backlogs fall sharply and stocks of finished goods rise

Firms cut input stocks as outlook weakens

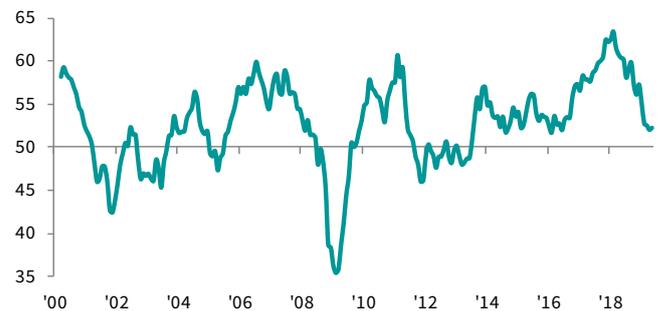
The Dutch manufacturing sector remained in a low gear in May despite a slightly stronger rise in new business, according to the latest PMI® survey data from NEVI and IHS Markit. New orders increased at the fastest rate in four months, but one that remained below the trend for output as firms cut backlogs sharply. Moreover, inventories of finished goods built up at a near-record pace. Subsequently, the 12-month outlook for production dimmed, and firms cut input stocks. The survey results also indicated cooling price pressures mid-way through the second quarter.

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 May, taking the current sequence of readings signalling expansion to one month shy of six years. At 52.2, however, the latest figure was up only fractionally from April's 52.0 and among the lowest over the aforementioned period.

By sector, consumer goods manufacturers reported the strongest improvement in business conditions in May, and investment goods firms the weakest.

The small increase in the PMI in May reflected the new orders component, which has a 30% weight in the headline figure, and suppliers' delivery times. The New Orders Index signalled stronger growth, albeit at a rate that remained weaker than that for production. The Output Index was unchanged from April's level and indicative of a rate of growth broadly in line

Manufacturing PMI
sa, >50 = improvement since previous month



with the long-run survey average. Weighing on the PMI in May were a slower increase in employment and falling stocks of purchases.

Although new orders increased at the fastest rate since January, the pace of expansion remained weaker than that for total output. This reflected firms' efforts to clear backlogs, which dropped at the fastest rate in over four years in May. Moreover, stocks of finished goods built up for the seventh time in eight months, pointing to over-production in the manufacturing sector.

Growth rates for output, new orders and exports all remained well below the trends shown in 2017 and 2018, which was reflected in companies' hiring and purchasing activity. Employment increased at the second-slowest rate in nearly three years, and purchases rose only fractionally as firms cut input stocks for the first time since August 2016.

Manufacturers' expectations for output softened notably in May, reflecting concerns around weaker eurozone and global growth. The Future Output Index fell to a 69-month low, as only 36% of firms expected output at their units to rise over the next 12 months.

Input price inflation slowed to a 32-month low in May, which contributed to the weakest rise in manufacturing output prices in two-and-a-half years.

COMMENT

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

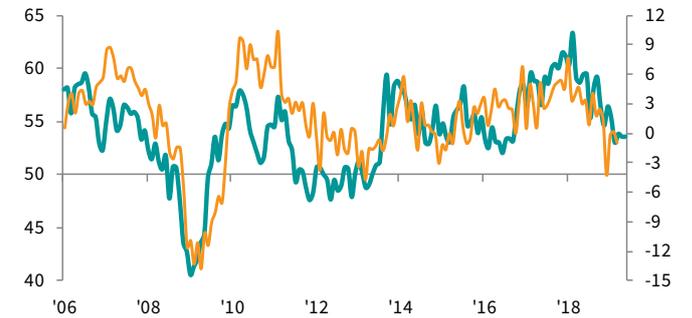
"The marginal uptick in the headline PMI in May does not hide the fact that the Dutch manufacturing sector has slowed notably in 2019 so far. The quickening of new order growth did not translate into faster output expansion, as evidence of spare capacity remained. In fact, companies were able to deplete backlogs at an even faster rate than in April. The current level of the output index is broadly consistent with no annual growth of official manufacturing production."

"Moreover, inventories of finished goods continued to accumulate, posing a downside risk to output in the coming months. This is supported by other indicators for hiring and purchasing. Employment growth was the second-weakest in nearly three years and purchasing of new inputs barely increased in May."

"Underlining the overall subdued nature of business conditions, output expectations were the weakest since August 2013."

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.

May 2019 data were collected 13-22 May 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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