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## NEVI NETHERLANDS MANUFACTURING PMI®

### Operating conditions improve marginally in July

#### KEY FINDINGS

Total new business declines for second month running

Employment growth picks up slightly

Input prices and output charges rise only marginally

Operating conditions faced by Dutch manufacturers improved marginally during July. Output growth slipped to a 74-month low, as firms recorded a second consecutive monthly fall in total new business, whilst output rose only slightly. Nonetheless, manufacturers took on additional staff in anticipation of rising output in the months ahead. Meanwhile, on the price front, both input costs and output charges increased at the slowest rates for nearly three years, driven by weaker demand conditions and softer growth of raw material costs.

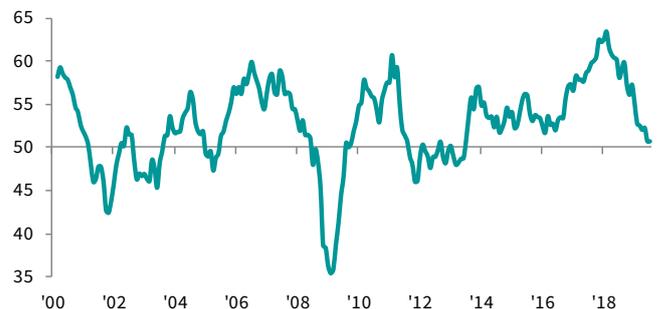
The NEVI Netherlands Manufacturing PMI is a composite single-figure indicator of manufacturing performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. The PMI was unchanged from June at 50.7 in July, signalling a marginal improvement in Dutch manufacturing conditions. That said, July marked the seventy-third consecutive monthly improvement in the health of the Dutch manufacturing sector.

As was the case in June, consumer goods was the only broad sector to observe an improvement in business conditions. Meanwhile, investment and intermediate goods producers recorded marginal deteriorations in operating conditions.

July's survey signalled reduced demand from both foreign and domestic customers. Inflows of overall new business fell for the second month running, though the rate of contraction was only marginal. Meanwhile, new work from abroad decreased for the first time since June 2016. There were reports from panellists of weaker demand from Germany,

Manufacturing PMI

sa, >50 = improvement since previous month



the US and UK.

Lower new order volumes led to a reduction in backlogs of work as firms transferred spare resources to work on existing projects. The rate of depletion, though solid, was the slowest since March.

In contrast to the trend for new business, Dutch manufacturing firms recorded a further increase in output during July. That said, the rate of growth was marginal and the weakest since the current sequence of expansion began in May 2013. At the sector level, production rose at consumer and intermediate goods producers but fell at investment goods companies.

Employment in the Dutch manufacturing sector increased for the fifty-third consecutive month, as firms sought to bolster capacity in anticipation of greater future output. The rate of job creation quickened slightly from June, but remained modest.

After recording the first drop in purchasing activity since February 2016 during June, latest data signalled that input buying stabilised in July. Stocks of purchases rose for the first time since April, whilst post-production inventories increased at the second-fastest pace in the series history.

Cost pressures in the Dutch manufacturing sector softened in July. Notably, the rate of input price inflation was marginal and the weakest in the current 35-month sequence of growth. In line with purchasing costs, factory gate prices rose at the slowest rate since the current period of inflation began in late 2016.

## COMMENT

Amritpal Virdee, Economist at IHS Markit, which compiles the Netherlands Manufacturing PMI survey, commented:

*“The Dutch manufacturing sector began the third quarter on a weaker footing, with overall business conditions improving at the joint-weakest pace in over six years.*

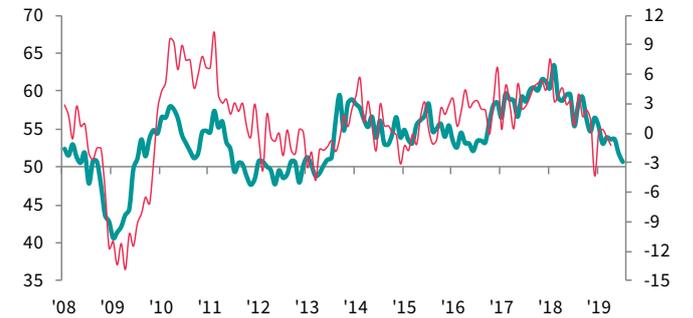
*“Weighing on manufacturing performance was a decline in overall new business and the softest expansion in output since the current upturn began in May 2013. Purchasing activity registered no change from June’s level.*

*“Employment bucked the general downward trend, with the rate of job creation quickening from June. On the price front, both input price and output charge inflation moderated to only marginal rates.*

*“If these weaker demand conditions persist, Dutch manufacturers could experience a challenging time over the coming months as reduced order intakes could knock production into decline.”*

## Output Index

sa, >50 = growth since previous month



Source: IHS Markit, Eurostat.

## Manufacturing production

%yr/yr

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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.

July 2019 data were collected 12-23 July 2019.

### 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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