News Release

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NEVI Netherlands Manufacturing PMI®

Dutch manufacturing recovery extends into 2021

Key findings

Output growth hits 28-month high amid sustained upturn in demand

Employment continues to rise, while sentiment strengthens further

Input prices rise markedly as supply chain delays persist

Data were collected 12-21 January 2021.

The Dutch manufacturing sector continued its recovery from the coronavirus disease 2019 (COVID-19) induced downturn at the start of 2021, according to the latest PMI® survey from NEVI and IHS Markit. Operating conditions improved sharply again in January, amid the fastest growth of output since September 2018 and a further rapid upturn in new orders. Subsequently, firms increased their staff numbers for the third month running, while sentiment regarding the 12-month outlook for output strengthened to a 33-month high.

Ongoing lockdown measures continued to impact supply chains, however, with lead times for inputs lengthening substantially again. Shortages and higher transportation fees also pushed up input prices, with the rate of cost inflation the most marked since late-2018.

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 headline PMI climbed to 58.8 in January, up from 58.2 in December, and signalled the strongest improvement in the health of the sector since September 2018.

At the sub-sector level, the improvement in conditions was broad-based and led by intermediate goods producers, while growth of the consumer goods segment was the least robust.

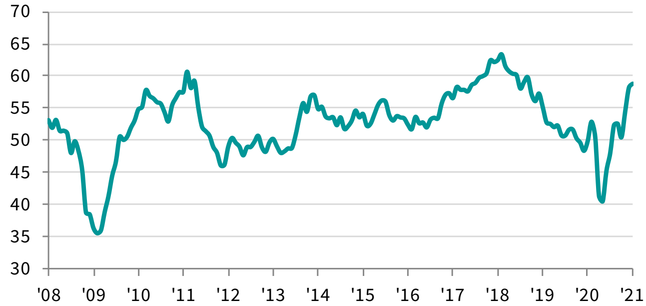
Central to the sustained upturn in the performance of the sector was a further expansion of production and a substantial increase in inflows of new work. The latest rise in output was the sharpest since September 2018, while order book growth was supported by a further sharp upturn in new work from abroad. Panellists attributed the latest rises in both production and order book volumes to improved client demand.

Meanwhile, January data highlighted ongoing capacity pressures, as backlogs of work accumulated for the second straight month. As a result, firms raised their staffing levels further, though the rate of job

continued...

Netherlands Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Albert Jan Swart, Manufacturing Sector Economist at ABN AMRO, commented:

"In spite of the hard lockdowns in the Netherlands and beyond, both output and demand have increased further as expected. The NEVI Netherlands manufacturing PMI increased further from 58.2 to 58.8. Although output grew at the fastest pace since September 2018, backlogs of work increased even more than during the prior month, which is a sign of very solid growth. Demand for capital goods, too, improved.

"However, there are also risks. Supply chains are still strained by the aftermath of the supply chains shocks at the start of the pandemic, the sudden increase of demand during the past few months and various travel restrictions and other lockdown measures. During the first lockdown, businesses panicked and decreased buying activity as much as possible, leading to low inventory levels. Now that the economic outlook has improved, companies are trying to build back stocks of purchases, leading to a strong upturn in orders. This so called Forrester or bullwhip effect sends shocks through manufacturing supply chains. Longer delivery times might lead to shortages of certain parts, which might become a bottleneck during the following months.

"Additionally, businesses should make sure they have sufficient working capital to support larger inventories. The past year has put financial stress on many firms' balance sheets. Some firms might need additional capital to deal with the sudden output growth."

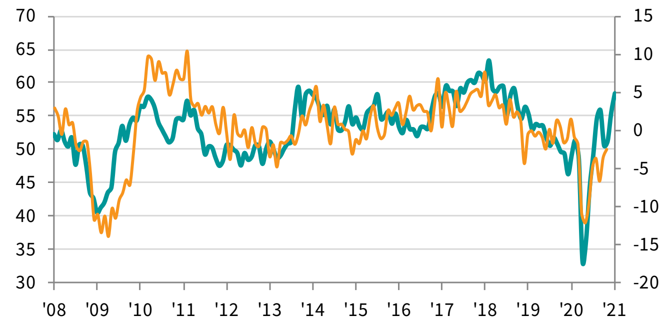
creation remained mild.

Increased production requirements also led Dutch goods producers to increase their buying activity during the first month of 2021, with the upturn the quickest for nearly three years. Higher demand for inputs placed more pressure on already-strained supply chains, however, with delivery times lengthening markedly again. Delays were overwhelmingly attributed to COVID-19 related measures and stock shortages.

In the face of ongoing supply disruptions, manufacturers upped their efforts to build up stocks, with pre-production inventories rising solidly overall.

Turning to prices, cost burdens rose noticeably during January, with the rate of inflation the most marked for over two years. Raw material shortages, higher transportation fees and supplier price hikes were the main drivers of inflation, according to panellists. Factory gate charges also rose, with the rate of charge inflation solid, despite easing since December.

Finally, the 12-month outlook for output improved in January, with sentiment rising to the strongest since April 2018. Optimism was frequently linked to expectations of improved demand and hopes of looser COVID-19 restrictions.



Sources: IHS Markit, Eurostat.

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Survey 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.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history

Data were collected 12-21 January 2021.

Survey data were first collected March 2000.

NEVI

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IHS Markit (NYSE: 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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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. ihsmarkit.com/products/pmi.html.