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NEVI NETHERLANDS MANUFACTURING PMI®

Dutch manufacturing downturn softens in June

KEY FINDINGS

Firms report slower falls in output and new orders

Rate of job shedding remains marked

Renewed optimism regarding output expectations

Data were collected 12-22 June.

The downturn in the Dutch manufacturing sector eased in June, according to the latest PMI® survey from NEVI and IHS Markit. Operating conditions deteriorated at a softer, but still solid, rate amid slower declines in output and new orders, with some firms reporting a slight revival of client demand. Meanwhile, workforce numbers fell again, with the rate of job shedding remaining marked overall. Encouragingly, the 12-month outlook for output returned to positive territory, although overall sentiment remained historically subdued.

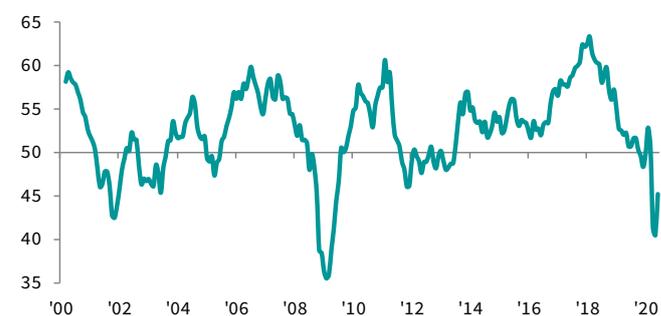
The NEVI Netherlands Manufacturing PMI is a composite single-figure indicator of manufacturing performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. The PMI registered 45.2 in June, to signal a solid deterioration in the health of the Dutch manufacturing sector. That said, this was up from 40.5 in May, to indicate the softest rate of decline in the current three-month sequence of deteriorating conditions.

Further reductions in both output and new orders contributed to the sub-50.0 PMI reading in June. Manufacturing production fell sharply amid reports of muted demand conditions both at home and abroad. The drop was the softest for three months, however, with 32% of respondents recording lower production compared to 48% in May. Similarly, the reduction in order book volumes eased notably from May, but remained marked overall. New export orders also declined at a softer, but still substantial, rate.

With overall demand conditions struggling to revive despite

Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

an easing of lockdown restrictions globally, staff numbers across the sector fell again in June. The rate of job shedding slowed only slightly since May and remained marked overall. At the same time, the level of outstanding business declined further, with the rate of backlog depletion the second-fastest for over eight years.

Concurrently, firms pared back on buying activity, with rate of reduction sharp overall. Pre-production inventories declined for the second month running, while stocks of finished goods were unchanged compared to the previous month. Supply chain disruptions continued to be widely reported, although the extent to which lead times lengthened was the slowest since January.

Cost burdens fell further in June, with anecdotal evidence linking the decline to lower raw material and energy costs. Moreover, the rate of reduction was the quickest since March 2016. At the same time, average charges fell for the second month in a row and solidly.

Finally, firms reported renewed optimism regarding output over the coming 12 months. The Future Output Index posted above the 50.0 neutral mark for the first time in three months amid hopes of an economic recovery. Sentiment remained subdued in the context of historical data, however.

COMMENT

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

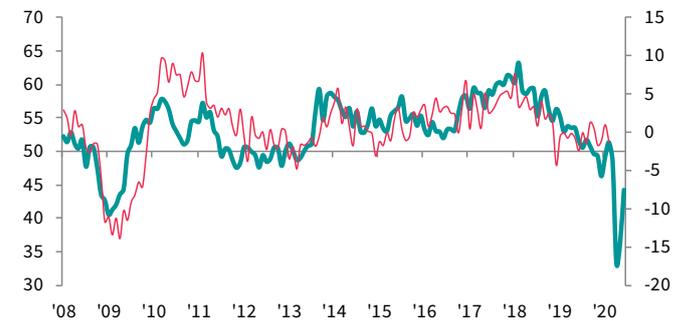
"There seems to be light at the end of the tunnel. Firms in the Dutch manufacturing sector finally turn cautiously optimistic on production in twelve months. Thanks to the lifting of lockdowns in many European countries, entrepreneurs look at what is ahead in 2021 with more confidence.

"In the short term, however, the crisis is far from over. Indicators for production and new orders still point to a prolonged downturn. Backlogs continue to deplete at a fast pace. This is worrisome because revenue streams might dry up if backlogs are fully depleted and new orders keep falling.

"The manufacturing sector not only struggles with a lack of new orders. Since there is little demand, output prices are also under pressure, leading to a further decline of revenues. In addition, firms are still struggling with shortages of parts due to disrupted supply chains. Understandably, many firms are still keen on saving costs, reporting more job cuts and further declines of stocks of purchases. It is clear that many businesses are hoarding cash in order to survive this short but severe crisis."

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.

June 2020 data were collected 12-22 June 2020.

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.

ihsmarkit.com/products/pmi.html

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