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NEVI NETHERLANDS MANUFACTURING PMI®

Manufacturing output contracts at survey record rate amid COVID-19 pandemic

KEY FINDINGS

Headline PMI falls to near 11-year low

New business declines at quickest pace on record

Output expectations tumble to all-time low

Data were collected 7-22 April.

Manufacturers in the Netherlands were among many globally to feel the negative impact of the coronavirus disease 2019 (COVID-19) pandemic in April, as business conditions deteriorated at the fastest pace for nearly 11 years, according to the latest PMI® survey from NEVI and IHS Markit. Both output and total new orders declined to the greatest extents since the survey began in March 2000, driven by further weakness in demand both domestically and abroad. Meanwhile, workforce numbers fell at the quickest rate since July 2009 and firms' sentiment with regards to future output collapsed, with expectations turning negative for the first time since this series began in mid-2012.

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 41.3 in April, down from 50.5 in March, to signal a marked deterioration in the health of the manufacturing sector. Moreover, the headline figure was the lowest recorded since May 2009.

Central to the substantial deterioration in overall conditions were further falls in output and new orders. Output declined at the quickest rate in more than 20 years of data collection, with panellists linking the fall to the coronavirus outbreak.

Incoming new business also contracted at the quickest rate since the survey began in early-2000. According to respondents, emergency measures to help contain the pandemic had suppressed demand both domestically and

Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

abroad. Indeed, new export orders declined for the second month running and at the quickest pace on record.

Firms continued to pare back on buying activity in April, with purchases falling at the sharpest rate since December 2011. Supply chain pressures worsened, however, with average lead times for inputs lengthening to the greatest extent since the survey began in March 2000.

Concurrently, Dutch goods producers cut their workforce numbers, with the rate of job shedding the sharpest since July 2009. Nonetheless, reduced amounts of new business allowed firms to clear backlogs at the quickest pace since April 2012.

Input costs fell for the first time in five months amid reports of lower raw material and commodity prices, albeit only mildly. Meanwhile, average selling prices were broadly stable, with some firms reporting that competitive pressures had weighed on overall pricing power.

Finally, amid vast uncertainty surrounding the COVID-19 pandemic, firms' expectations with regards to output over the year ahead collapsed to the lowest on record in April. Moreover, Dutch manufacturers expect output to fall from current levels in the next 12 months.

COMMENT

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

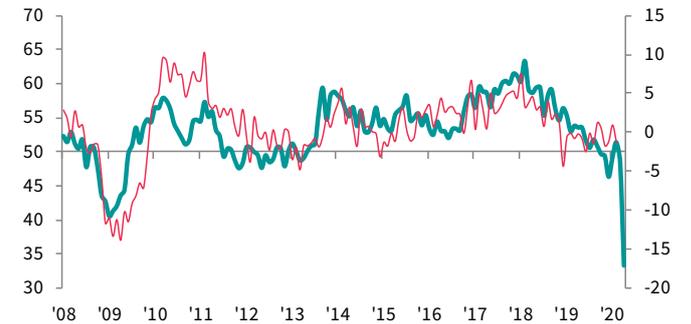
"The coronavirus pandemic has caused a breath-taking drop in business conditions in the Dutch manufacturing sector. The NEVI Netherlands Manufacturing PMI plummeted to the lowest level since 2009. Both output and total new orders tumbled at the fastest pace since the survey began in 2000, pointing to an unprecedented blow to Dutch manufacturing in recent history.

"Although industrial output plummeted at record speed in April, there are clear signs that more trouble is ahead. Panellists reported that lower sales allowed for clearing order backlogs, leading to the most rapid depletion of backlogs since April 2012. With new orders both domestically and abroad plummeting to record lows, Dutch manufacturers are bracing for impact. In spite of all the government measures to protect jobs, employment fell at the quickest rate since July 2009. Expecting a prolonged slump in demand, many firms have laid off temporary staff whom had been so painstakingly hired only months ago.

"It seems that Dutch manufacturers are bracing for an even bigger hit to industrial output. Unfortunately, the numbers suggest that the worst is yet to come."

Output Index

sa, >50 = growth since previous month



Source: IHS Markit, Eurostat.

CONTACT

ABN AMRO

Albert Jan Swart
Sector Economist Manufacturing
T: +31 6 41449681
Albert.Jan.Swart@nl.abnamro.com

IHS Markit

Lewis Cooper
Economist
T: +44-1491-461-019
lewis.cooper@ihsmarkit.com

Katherine Smith
Corporate Communications
T: +1-781-301-9311
katherine.smith@ihsmarkit.com

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.

April 2020 data were collected 07-22 April 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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