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## NEVI Netherlands Manufacturing PMI®

# Manufacturing business conditions continue to improve rapidly in July

### Key findings

PMI eases further from May's record, but still third-highest ever at 67.4

Many sub-indices remain at or close to record highs

Input price inflation hits new series high

Data were collected 12-22 July 2021.

The latest PMI® survey from NEVI and IHS Markit signalled another rapid improvement in manufacturing business conditions in the Netherlands in July. Output, new orders, exports and purchasing all rose at among the fastest rates since the survey began in 2000, easing only slightly from series records set in May and June. Supply chain delays remained severe, despite some evidence of reduced pressure compared with the second quarter. With widespread raw material shortages continuing, input price inflation hit a new survey record high and backlogs continued to rise sharply despite another marked increase in employment.

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 posted 67.4 in July, down slightly from 68.8 in June and the survey high of 69.4 in May. That said, it was still the third-highest figure on record and signalled a rapid overall improvement in manufacturing business conditions. Since the survey began in 2000, the PMI has averaged 52.9.

All five of the PMI's components had strongly positive contributions on the headline figure in July, although all had slightly negative directional influences compared with June. The new orders, employment and stocks of purchases components all eased to three-month lows, while output and suppliers' delivery times were the lowest in four months (with the latter index inverted for the PMI).

The volume of new orders received by Dutch manufacturers continued to surge higher in July as markets continued to reopen with the easing of restrictions. The rate of growth was slightly weaker than June's record but still the third-fastest in the survey history, supported by a slightly stronger gain in exports.

Output rose at the slowest rate in four months in July, albeit one that remained stronger than in any previous survey period. Capacity constraints were again evident with output continuing to rise more

Netherlands Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

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

*"The Dutch manufacturing sector continues to grow at a fast pace, in spite of severe supply chain disruption. The NEVI Netherlands manufacturing PMI only decreased slightly since last month. Although industrial output has already increased to above pre-pandemic levels, output continues to increase very fast. New orders, exports and quantity of purchases keep rising too. The input prices index set a fresh record, pointing to steep increases in costs due to material shortages and long suppliers' delivery times. Supply chains were disrupted even further in July by the floods in Germany, Belgium, Luxemburg and the Netherlands, causing shutdowns of production plants and closure of railtracks, roads and inland waterways.*

*"Since output has mostly recovered from the record slump in 2020, entrepreneurs not only struggle with supply chain disruption, but also with an old familiar bottleneck: labor shortage. Firms increased employment for the ninth successive month in July, at a rate not seen since 2018, with some firms reporting shortages of skilled candidates. Labor shortages are probably back at pre-pandemic levels. We expect that entrepreneurs will experience increasing difficulty to find sufficient staff, given the fact that the net balance of Dutch goods producers who expect to take on additional staff over the next year rose to 42 percent in June\*.*

*"Rapidly rising input costs might put pressure on profit margins. However, output prices are also rising fast, albeit at a slower speed than input costs. Still, profitability might increase during the coming months because utilization rates are very high. If fixed costs do not increase, high utilization leads to lower average fixed costs. In June, the net balance of Dutch manufacturing firms expecting profit growth had increased to 33%, the highest since February 2019\*. The Dutch goods producers are more optimistic than their peers in most other countries, probably because the Netherlands benefits from fast growth in the semiconductor industry and is only slowed down slightly by the chip shortages in car manufacturing.*

\*IHS Markit Netherlands Business Outlook survey, June 2021

slowly than new orders, resulting in another strong rise in backlogs and a sharp reduction in final goods inventories.

Firms attempted to boost capacity by expanding employment further. The manufacturing workforce expanded for the ninth month running and at one of the fastest rates on record, albeit one that slowed for the first time since January.

Suppliers' delivery times continued to lengthen markedly in July, reflecting ongoing widespread raw material shortages and shipping bottlenecks. That said, the extent of delays was less severe than those registered during the second quarter. Manufacturers continued to build safety stocks to guard against disruption to output, and remained strongly confident of higher production over the next 12 months. That said, sentiment eased to a five-month low in July.

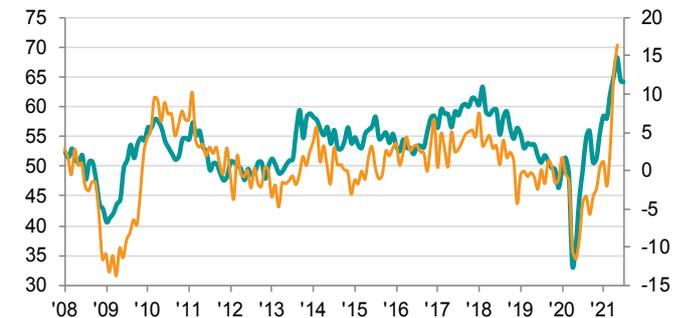
The rate of input price inflation set a new survey record high for the fourth straight month in July, reflecting the combination of strong demand and supply shortages. Manufacturers continued to pass on higher costs to customers, with output price inflation matching June's record high.

Netherlands Manufacturing PMI Output Index

sa, >50 = growth since previous month

Manufacturing production

% yr/yr



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](mailto:economics@ihsmarkit.com).

### Survey dates and history

Data were collected 12-22 July 2021.

Survey data were first collected March 2000.

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### 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](https://ihsmarkit.com/products/pmi.html).