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NEVI NETHERLANDS MANUFACTURING PMI®

Dutch manufacturing output declines at softer pace in January

KEY FINDINGS

Production and new orders decline at slower rates

Renewed expansion in workforce numbers

Business confidence strengthens to 14-month high

Operating conditions in the Dutch manufacturing sector continued to deteriorate in January, albeit at a fractional pace, according to the latest PMI® survey data from NEVI and IHS Markit. Weak demand conditions remained a key drag on order books and output, although both fell at softer rates compared to December. Encouragingly, workforce numbers rose mildly following a fall at the end of 2019, and business confidence regarding the year ahead improved to the highest since November 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 PMI rose from 48.3 in December to 49.9 in January, to signal the softest deterioration in the health of the sector in the current three-month sequence of decline.

At the sub-sector level, both the intermediate and investment goods segments recorded a deterioration in operating conditions, while an improvement was seen at consumer goods producers.

The sub-50.0 PMI figure mainly reflected further falls in output and new orders in January. Production declined for the fourth month in a row, although the reduction softened from December to a marginal rate.

Order book volumes declined again amid reports of weak client demand. That said, the fall was the softest in the current three-month sequence of contraction and only mild overall. Foreign demand for Dutch goods also fell, albeit only

Manufacturing PMI
sa, >50 = improvement since previous month



slightly.

There were further signs of easing capacity pressures in January as outstanding business contracted for the eleventh successive month. The rate of backlog depletion slowed from December and was only modest, however.

Meanwhile, Dutch manufacturers recorded a renewed increase in workforce numbers during the latest survey period, amid reports of filling previously held vacancies. That said, the rate of job creation was only slight.

Concurrently, cost burdens rose for the second month running during January, with firms linking the uptick to greater raw material and wage costs, alongside unfavourable exchange rates. The rate of price inflation accelerated from December and was marked. Higher cost burdens were partially passed onto clients in January, with average selling prices rising solidly.

Finally, confidence among Dutch goods-producers regarding the year ahead outlook for output strengthened to a 14-month high in January. Panellists commonly linked optimism to hopes of improved demand conditions, as well as plans to enter into new markets.

COMMENT

Lewis Cooper, Economist at IHS Markit, which compiles the Netherlands Manufacturing PMI survey, commented:

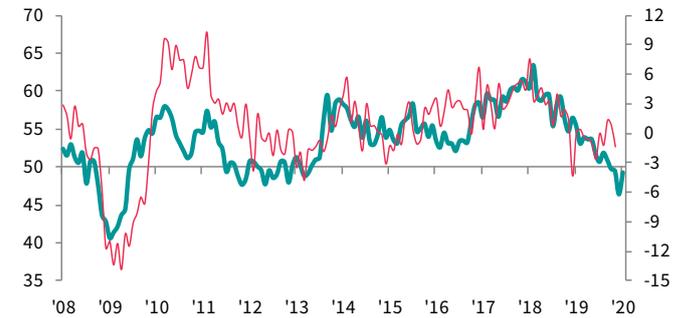
"The downturn in the Dutch manufacturing sector eased at the start of 2020, with operating conditions deteriorating only fractionally. Production and new orders declined at softer rates than in December, although the falls continued to drag on the overall performance of the sector, with panellists commonly citing subdued client demand."

"There were some positive signs, however, with renewed growth in employment and strengthening business confidence. The rate of job creation, albeit only slight, outperformed the series historical average. Meanwhile, firms' expectations regarding output in the coming year strengthened to a 14-month high, with anecdotal evidence linking optimism to hopes of improved demand conditions."

"Nonetheless, latest official data, which are currently updated to November, indicated a year-on-year fall of 1.4%, and PMI data for December and January hint that this downward trend may continue."

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.

January 2020 data were collected 13-23 January 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. To learn more go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).

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