News Release

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Nevi Netherlands Manufacturing PMI®

Dutch manufacturing growth slows in May

Key findings

Output expands at the weakest pace for 18 months

Supply chain and price pressures ease, but remain severe

Firms continue to build input inventories at marked rate

The Dutch manufacturing sector lost some momentum in May but continued to record a solid overall improvement in business conditions, according to the latest PMI® survey data from Nevi and S&P Global. Output, new orders and exports all expanded at softer rates in May, but employment levels rose at the quickest pace for nine months. However, supply chains and business confidence were both impacted by lockdowns in China and the war in Ukraine.

Meanwhile, cost pressures moderated slightly but were still marked compared to the historical average. As a result, the rate of output charge inflation eased only slightly from April's record pace.

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 fell from 59.9 in April to 57.8 in May. Despite moderating from the previous survey period, the latest figure indicated a strong overall improvement in manufacturing business conditions. That said, the PMI remained elevated in part due to the suppliers' delivery times component, reflecting the ongoing problems with global supply chains.

Production levels at Dutch manufacturers rose in May, with output now expanding in each of the last 22 months. Though solid, the rate of increase was the softest for a year-and-a-half. While there were reports of favourable demand conditions, others mentioned that staff and material shortages had hindered growth in May.

Similarly, new orders rose at the weakest pace for 19 months during May. The pandemic, the war in Ukraine and elevated prices deterred some clients from placing orders, according to respondents. Nevertheless, new business has risen continuously since August 2020.

International sales of Dutch goods rose at the slowest pace for 22 months, despite reports of improving demand from the UK and Scandinavian markets.

Nevi Netherlands Manufacturing PMI

sa, >50 = improvement since previous month

Sources: Nevi, S&P Global.

Data were collected 12-23 May 2022.

Comment

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

"The NEVI Netherlands manufacturing PMI decreased from 59.9 in April to 57.8 in May, pointing to slower growth. Manufacturing output and new orders grew at the slowest pace since the end of 2020. Output growth is restrained by shortages of skilled labour and supply chain disruption, causing firms to struggle to keep up with demand. The war in Ukraine and lockdowns in China still weigh on optimism.

"Both input and output prices continued to rise fast. Firms need to pay more for almost everything, ranging from metals and electronics to transportation services, energy and labour. Most of them also passed on higher input costs in May, leading to the second-strongest output prices growth since the beginning of the series in 2002. Makers of consumer goods increased their output prices at an especially steep rate in May.

"Supply chain disruption seemed to ease somewhat, with suppliers' delivery times lengthening at the lowest incidence since January 2021. Severe delays might be in the pipeline, however, since the lockdowns in China, which in April hit about a quarter of China's manufacturing output, affected production of many products that would normally arrive after four to six weeks of transportation and logistics. Thus, firms in the Netherlands might notice the disruption in China slightly later. It is therefore no surprise that firms paid high prices in order to continue to increase their inventories of materials, most likely expecting more supply chain disruption during the coming months."

PMI® by S&P Global

Despite a weaker rise in new orders, firms faced another steep rise in backlogs of work. In fact, capacity pressures were the most severe for six months with firms blaming material and staff shortages in May.

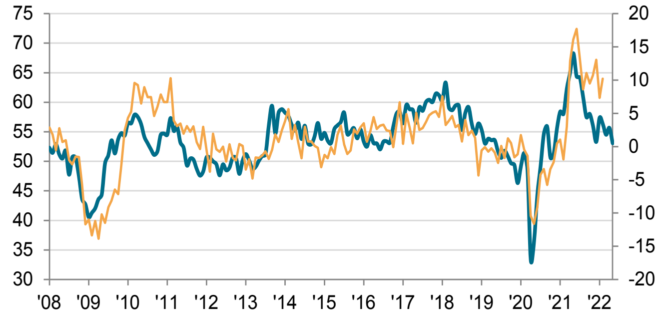
Firms sought to increase their headcounts in a bid to boost capacity. Employment levels rose at the quickest pace for nine months, with the rate of job creation much quicker than the long-run series average. Firms continued to mention a lack of skilled labour, however.

Lockdowns in China, the war in Ukraine and staff shortages led to another severe lengthening in suppliers' delivery times. That said, the incident of delays was the lowest for 16 months.

Ongoing delivery delays prompted firms to raise their purchasing activity, and at a sharp rate. At the same time, stocks of purchases rose substantially, and at a rate that was among the quickest in the survey's 22-year history.

Input price inflation remained severe, despite easing to a three-month low. Firms continued to report higher prices for a wide range of goods and services, exacerbated by the war in Ukraine and the pandemic. Firms often opted to pass on additional cost burdens to their clients, with output price inflation the second-strongest in the series history, surpassed only by that seen in April.

Firms were confident that their output levels would expand over the next 12 months. That said, the degree of optimism was weaker than the long-run series average as geopolitical tensions and intense inflationary pressures weighed on overall sentiment.



Sources: Nevi, S&P Global, Eurostat.

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Survey methodology
The Nevi Netherlands Manufacturing PMI® is compiled by S&P Global 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. Data collection began in March 2000.

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.

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.

About Nevi
With over 6500 purchasing professionals, Nevi® is the 3rd largest purchasing association in the world and has been the knowledge network for purchasing and supply management since 1956. Nevi makes purchasing knowhow accessible for everyone involved in the purchasing process by organising (inter)national conventions, networking events, certificated professional educational programmes and national and international customized (in-house) training. Nevi is the first purchasing association to have received the Global Standard for its educational programmes in purchasing. It has a research commission and supports university professors, lecturers and doctoral students. The Nevi code of conduct is ground-breaking in its field. For more information about Nevi activities and membership, please visit our website: www.nevi.nl.

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