News Release

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Nevi Netherlands Manufacturing PMI®

Output and new orders fall for first time in over two years in August

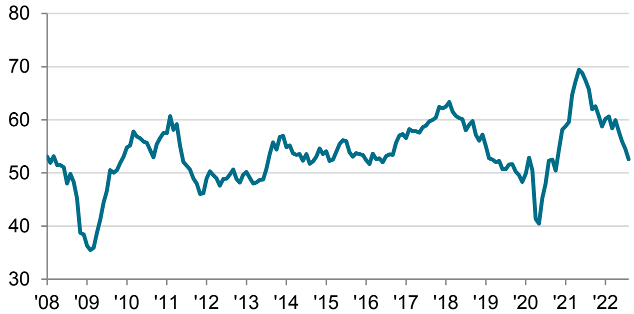
Key findings

Output and new business drop for first time since July 2020

Manufacturing PMI slides to 22-month low

Input price inflation remains strong, but eases to 19-month low

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



Sources: Nevi, S&P Global.
Data were collected 12-22 August 2022.

PMI® survey data for August signalled that the Dutch manufacturing sector experienced falling output and new orders for the first time in over two years, as demand faltered due to high prices, rising uncertainty and weak Chinese markets. New export orders dropped at the fastest rate since June 2020, backlogs fell and stocks of unsold goods rose for a survey-record seventh month running. More positively, employment continued to rise and supply chain pressures eased further, sending input cost inflation to a 19-month low despite rising energy prices.

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 for the fourth successive month from 54.5 in July to 52.6 in August, signalling the weakest overall improvement in operating conditions since October 2020. The positive headline reading masked negative prints for the two largest components, new orders and output, which both entered contraction territory for the first time since July 2020. For the third month running, all five PMI components had negative month-on-month directional influences in August, with new orders and output accounting for 0.7 and 0.6 points to the overall drop of 1.9 points. Employment, suppliers' delivery times and stocks of purchases each accounted for between 0.2 and 0.3 points.

The volume of new orders declined in August for the first time in over two years, after adjusting for seasonal factors. The drop in demand reflected rising caution among customers, particularly surrounding high prices, as well as a weak Chinese market and continuing lack of access to Russia. There were a number of reports of postponed orders due to large price increases and general uncertainty. New export orders fell at the fastest rate since June 2020, and more sharply than overall new business.

Production followed a similar trend to new orders, declining for the first time since July 2020 after accounting for seasonality. That said, the rate of contraction was only marginal and weaker than that shown for new work, partly reflecting a contraction in backlogs as firms caught up with orders. Outstanding business dropped for the first time since November 2020, ending a

Comment

David Kemps Sector Banker Manufacturing at ABN AMRO, commented:

"The NEVI Netherlands Manufacturing Purchasing Managers' Index continues to fall, dropping to 52.6 in August after reaching a previous 20-month low of 54.5 in July. This sustained period of slow growth in Dutch manufacturing can be attributed to lower demand for manufacturing products, and purchasers are expecting to see an absolute decline in the number of new orders over the next three months. Dutch manufacturing is suffering due to a slump in demand from Germany, China and Russia. In the Netherlands, too, new construction projects and expansion plans are being put on hold because of high prices and the fear of recession.

"In spite of this reduced demand and the resulting lower order volumes, the 12-month forecast for manufacturing production remains positive. By offering significant added value and customer-specific solutions, manufacturing businesses are still managing to pass on the high costs of raw materials to their customers, and next year's order books are still looking healthy.

"Although the picture looks more positive a year from now, there are risks looming on the horizon in the medium term. With winter on its way, high inflation due to the energy crisis and the threat of gas supplies being rationed, energy-intensive manufacturing sectors have a challenging time ahead of them. Temporary production stops are a distinct possibility."

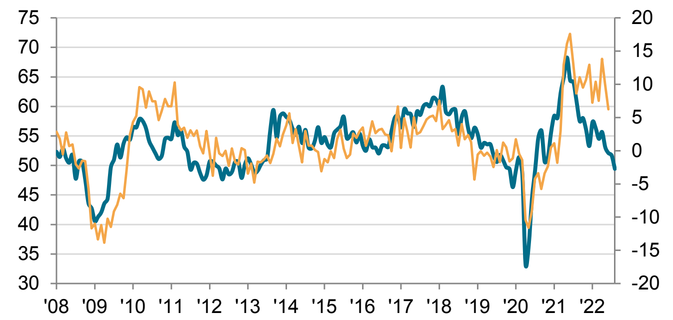
20-month sequence of uninterrupted growth – the longest registered since backlogs data were first compiled in late-2002.

Although firms cut backlogs, the level of finished goods held in stock continued to rise. August marked a seventh month of growing inventories across the sector, the longest period of increases in the survey history. The rate of expansion slowed since July's record but was still the second-highest ever registered.

Although new orders fell in August, manufacturers continued to expand their purchasing activity in volume terms due to long lead times. Stocks of inputs increased further, partly linked to the late arrival of containers from China. Suppliers' delivery times continued to lengthen, albeit to the weakest degree in nearly two years.

Manufacturers' input prices continued to rise sharply in August, linked to raw materials, electronic components, energy, transportation and labour. That said, the overall rate of inflation eased for the fourth month running to the weakest since January 2021. In contrast, output price inflation accelerated for the first time in four months.

Looking ahead, the 12-month outlook for production remained positive but below the long-run trend. According to survey members, high prices are expected to continue to deter new business. That said, manufacturers continued to expand their workforces at a strong overall pace in August, albeit one that eased to a 17-month low.



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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PMI® by S&P Global

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