

Embargoed until 0700 CEST (0500 UTC) 1 September 2023

Neve Netherlands Manufacturing PMI[®]

Dutch manufacturing sector remains rooted in a downturn in August

Key findings

Substantial falls in new orders and purchasing activity

Sharpest decline in stocks of purchases since November 2011

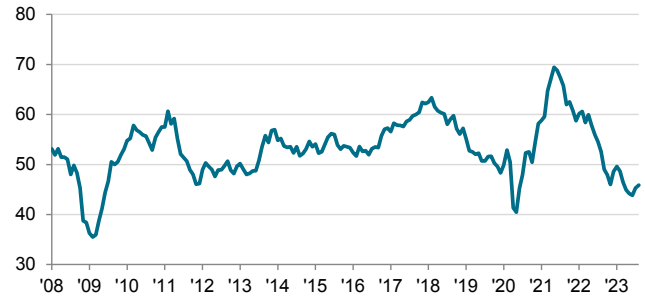
Staffing levels reduced at quickest pace in close to three years

Demand weakness continued to weigh on the performance of the Dutch manufacturing sector during August and resulted in sustained declines in output and new orders. Purchasing activity and employment levels were also scaled back, with the decline in the latter the steepest in close to three years. Nevertheless, waning demand continued to support a further improvement in supplier performance, and contributed to another marked reduction in input costs. In contrast, selling prices increased for the first time since April.

The Neve 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. At 45.9, the latest PMI figure once again fell short of the critical 50.0 threshold to mark a year-long sequence of decline in the health of the Dutch manufacturing sector. That said, having edged up from 45.3 in July, the pace of contraction was the softest seen since March.

Another drop in total new orders was seen during August. The decline marked the thirteenth consecutive decrease in as many months, with panel members often commenting that a combination of cost and weather-related factors had dampened customer demand. However, while substantial overall, the latest contraction in order books was the weakest in four months. Inflows of new business from abroad fell at a similarly rapid pace amid reports of demand weakness across some of the country's key European trading partners.

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



Sources: Neve, ABN AMRO, S&P Global PMI.
Data were collected 10-22 August 2023.

Output likewise remained under pressure during August as firms pared back manufacturing production in conjunction with falling new orders. That said, the rate of decline slowed for the third month in a row, and was the weakest recorded over the current six-month sequence of decrease and only modest.

The current lull in demand enabled firms to make further inroads in their backlogs during August. The level of outstanding work decreased at a marked pace that was quicker than seen in July. This was despite another round of job shedding across the Dutch manufacturing sector. Employment levels have now fallen for three months in a row with the latest reduction the most pronounced in almost three years.

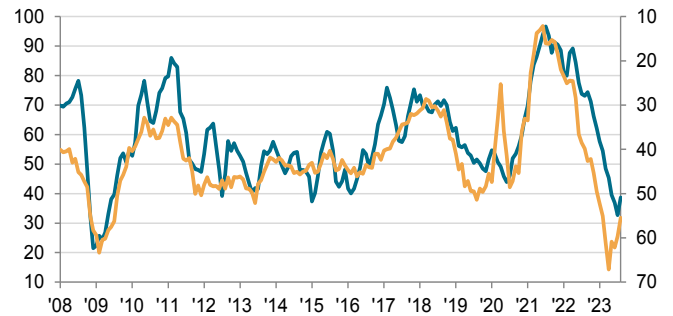
Subdued demand conditions and lower production requirements prompted firms to trim back their purchasing activity in August. The rate of decline was solid overall and in large part reflected efforts to downwardly align stock levels with current demand trends. As a result, pre-production inventory levels contracted again and at the sharpest pace since November 2011. This was accompanied by a broad stabilisation in post-production inventory levels.

Falling demand for materials meanwhile contributed to an eighth successive monthly improvement in supplier performance. Average prices paid for purchases meanwhile declined for the sixth month in a row and at a substantial rate. Anecdotal evidence suggested that lower raw material and energy prices supported the sustained reduction in operating expenses.

However, factory gate charges rose for the first time in four months in August. Panel members often commented on the pass through of previous cost increases to customers.

Lastly, hopes for an improvement in demand conditions over the next year continued to support optimism amongst Dutch manufacturing firms during August. Other factors underpinning positive sentiment included planned investment, new product development and the commencement of new projects. However, the degree of confidence moderated to a 10-month low amid concerns surrounding the long-term impacts of the current downturn.

■ PMI Input Prices Index ■ PMI Suppliers' Delivery Times Index
 sa, >50 = inflation since previous month sa, >50 = faster times since previous month



Sources: Nevi, ABN AMRO, S&P Global PMI.

Comment

David Kemps, Sector Banker for Industry at ABN AMRO, commented:

"The Nevi Purchasing Managers' Index for Dutch industry remains at a low level. The score of 45.9 in August 2023 is marginally better than July's score of 45.3. The index has been scoring less than 50 for nearly a year, meaning that manufacturing activity has continued to decrease over all that time. In line with falling demand, factories have scaled back production, reduced stocks and taken on less personnel in recent months.

"These measures ensure a lower cost base, as can be seen in the purchase prices sub-indicator, which – compared to the score of 73.4 for August 2022 or even the peak of 93.5 in 2021 – in August showed a very low score of 38.6. In particular, raw materials and energy prices for bulk users have dropped substantially as a result of weak demand and the end of the disruption and shortages in the global supply chain.

"Declining purchase prices will not, however, lead directly to profit growth in industry. Lower utilisation of machine capacity increases the average fixed costs per unit of product and the higher costs of wages and interest will counteract the positive effect of lower purchase prices. Energy costs will also continue to be a major concern, particularly for energy-intensive industries such as the

chemical, plastics and paper industries and surface treatment industries (galvanising plants, coaters). While these costs have decreased substantially compared to last year, energy is still twice as expensive as before. In addition, for many companies fixed contracts will expire in the coming winter.

"To date, manufacturing companies have been able to pass on costs to their customers. However, it is expected that many manufacturers will have to gradually lower their prices in order to maintain their production volume. This will have a depressing effect on their profitability. This ties in with the findings of the recent economic survey of the Dutch Central Bureau of Statistics (CBS). Almost 85 percent of the participants indicated that profitability during July was the same or even lower compared with the previous survey in April 2023.

"Fortunately, many companies such as in the engineering, high-tech machining and packaging industries, still have large order books. A little less activity on the factory floor is very welcome for many companies, as it allows some breathing space for process and product innovations and sustainable investment after two hard years following the COVID pandemic that were entirely devoted to driving up production volumes."

Contact

ABN AMRO
David Kemps
Sector Banker for Industry
T: +31 6 30 33 20 43
david.kemps@nl.abnamro.com

Nevi
Anne-Marie Sleurink
Communications Manager
T: + 31 6 20 03 38 18
a.sleurink@nevi.nl

S&P Global Market Intelligence
Laura Denman
Economist
T: +44-134-432-7221
laura.denman@spglobal.com

S&P Global Market Intelligence
Sabrina Mayeen
Corporate Communications
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).

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

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

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.

About ABN AMRO

ABN AMRO serves clients in the retail, private banking and corporate banking sectors. Our primary focus is on Northwest Europe. We offer clients in the Netherlands an extensive and comprehensive range of products and services across a variety of channels, including our Mobile Banking app and Internet Banking. Our ambition is to accelerate the transition to an inclusive, circular and sustainable society. Whether by advancing the transition to a circular or sustainable economy, or by helping newcomers on the housing market to borrow the funds they need: we are helping to build a better future. Banking for better, for generations to come: that is our purpose. For more information about ABN AMRO, please visit our website: <https://www.abnamro.nl/en/commercialbanking/>

About S&P Global

S&P Global (NYSE:SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com.