News Release

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Nevi Netherlands Manufacturing PMI®

New order growth slows to weakest for two years

Key findings

PMI at 20-month low in July

Output and new orders both rise at slower rates

Stocks of finished goods expand at record pace

Nevi Netherlands Manufacturing PMI

sa, >50 = improvement since previous month

Sources: Nevi, S&P Global.
Data were collected 12-21 July 2022.

The Dutch manufacturing sector lost further growth momentum in July, according to latest PMI® survey data. New orders rose at the slowest rate for two years while production rose only mildly, resulting in a rate of output growth that was below the historical average. At the same time, firms continued to raise their headcounts, and post-production inventories expanded at a 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 55.9 in June to 54.5 in July, signalling the weakest improvement in operating conditions since November 2020.

Central to the latest moderation in the headline index was a weaker uplift in new orders, which rose at the softest pace in two years. Panel comments indicated steep price pressures paired with economic uncertainty weighed on demand growth. The overall rate of expansion was marginal and weaker than the long-run series average.

Meanwhile, greater competition from Scandinavian and other European markets led to only a fractional increase in exports. In fact, international demand for Dutch manufactured goods rose at the weakest pace in the current 24-month sequence of expansion.

Similarly, Dutch manufacturing companies raised their production levels at a slower pace in July. The rate of growth was the weakest for 20 months amid weaker inflows of new orders and difficulties obtaining some key inputs.

As a result, backlogs rose at the weakest pace for 20 months at the start of the third quarter. Anecdotal evidence suggested that some firms had sufficient capacity to deal with incoming orders while others faced severe delivery delays and material scarcity.

Despite softer increases in new orders and output, the manufacturing labour market remained resilient in July. Staffing levels rose for the twenty-first month in succession. Though

Comment

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

"The NEVI Netherlands manufacturing PMI continued to drop, falling from 55.9 in June to 54.5 in July, the lowest in 20 months. New order growth, in particular, was weak.

"The slow growth in the Dutch manufacturing sector is mostly caused by a broader slowdown in global manufacturing. The new export orders index stands at 50.4, indicating that international demand has lost further momentum. In fact, S&P Global's Flash PMIs show that manufacturing output in the eurozone has decreased in July, especially in Germany, the Netherlands' largest trade partner.

"Apart from the bleak international outlook, several other indicators suggest that worse is yet to come. Backlogs of work have barely increased in July and stocks of finished goods rose sharply, with a record 21% of firms reporting higher inventories. These are clear signs of weaker demand, also because supply chains are still disrupted and still hamper production. If demand for industrial goods drops in the coming months and supply chains improve further, backlogs of work might decrease. Fortunately, since the end of 2020, many firms have built up large backlogs of work, particularly producers of capital goods.

"While the normalization of supply chains and the large backlogs of work might help firms to sustain manufacturing output, risks are clearly increasing. The energy crisis continues to cause high inflation, which impacts demand. Moreover, the manufacturing sector may be exposed to gas rationing, especially in Germany, which might disrupt supply chains again and impact demand."

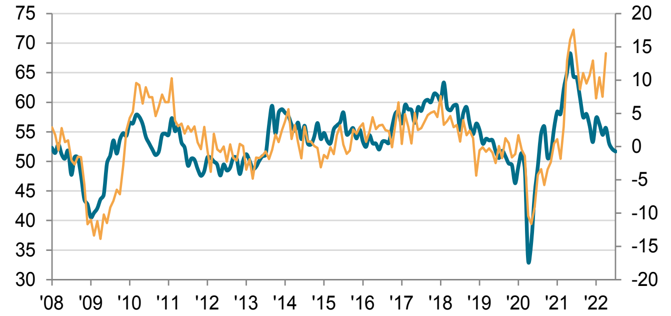
easing on the month, the rate of job creation remained marked and was quicker than the long-run series average. Consumer and investment goods sectors recorded particularly sharp increases in headcounts.

Global supply chain issues continued to impact suppliers' delivery times in July, with lead times now lengthening in each month since September 2019. The incidence of delays was marked, but the lowest for 21-months.

Subsequently, firms continued to build their pre-production inventory holdings, and at a marked pace in July. Firms mentioned that efforts to mitigate against future price hikes and supply shocks resulted in the latest increase in inventories. Stocks of finished goods meanwhile rose at a sharp and accelerated pace. In fact, the rate of growth was the quickest in the survey's more than 22-year history.

On the price front, the rate of input price inflation moderated to an 18-month low in July but remained historically elevated. Firms continued to cite rising transportation, energy, wage and material costs. Firms passed on part of their additional costs to clients, though selling prices rose at the weakest rate for 15 months.

Finally, Dutch manufacturers remained confident of output growth over the next 12 months, but the overall strength of sentiment eased further in July to the weakest for two years. The wider macroeconomic environment and elevated rates of inflation weighed on optimism, according to panel comments.



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.

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