News Release

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Nevi Netherlands Manufacturing PMI®

Manufacturing PMI slips to 19-month low in June

Key findings

Output and new orders both rise at softer pace

Post-production inventories expand at record rate

Input and output price inflation moderates further

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

Sources: Nevi, S&P Global.
Data were collected 13-22 June 2022.

The Dutch manufacturing sector lost further growth momentum in June, according to the latest PMI® survey data from Nevi and S&P Global. Output, new orders, stocks of purchases, employment and exports all expanded at softer rates. At the same time, global material shortages, lockdowns in China and the war in Ukraine continued to impact supply chains. That said, firms were optimistic that demand would pick-up and output levels would expand over the course of the next 12 months.

On the price front, there were further signs that cost pressures were moderating. Rates of both input and output price inflation eased in June, and were the softest for 17 and ten months, respectively.

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 57.8 in May to 55.9 in June, signalling the weakest improvement in conditions since November 2020. That said, the rate of expansion was still indicative of a solid overall improvement in manufacturing operating conditions.

Production growth slowed for the second month running in June to the weakest since November 2020. Moreover, output increased at a weaker pace than new work, suggesting that capacity came under greater pressure. Anecdotal evidence pointed to a lack of availability for key inputs, as well as some reports of staff shortages.

New orders rose at the softest pace for 20 months and only modestly at the end of the second quarter. While some firms reported a pick-up in demand, others stated that high selling prices had deterred sales. A similar trend was seen for exports, which rose only marginally in June amid weaker demand from Europe, China and Russia.

Despite the moderate expansions in output and new orders, purchasing activity rose sharply, albeit at a softer rate than in May. Firms often sought to add to their inventories to protect against future delivery delays and price hikes. Subsequently, input stocks rose for the twentieth month in succession.

Comment

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

"The NEVI Netherlands manufacturing PMI decreased from 57.8 in May to 55.9 in June, indicating slower growth. New export orders, in particular, only increased marginally. Demand from Europe, China and Russia is weaker. Still, the Dutch manufacturing sector is growing faster than its peers in Germany and in the eurozone as a whole. Both German and eurozone industrial output seem to be contracting, as indicated by the S&P Global Flash PMIs, caused by high inflation and economic uncertainty.

"In spite of the uncertain economic outlook, Dutch firms were more optimistic in June than during the three months before. Optimism is still muted because of the pandemic, the war in Ukraine and high inflation. Overall, it seems that the Dutch manufacturing sector still has some room to grow. The global slowdown in manufacturing and the reopening of Chinese factories might finally lead to a normalization of supply chains, which would improve availability of key inputs. Suppliers' delivery times still increased in June, but at the slowest rate since October 2020. Dutch firms have solid backlogs. Even if demand is becoming weaker, large backlogs might keep most firms busy. Not all firms seem to benefit, however, since stocks of finished goods increased in June with 18% of firms noting higher inventories. In some cases, this was caused by transportation delays, but the increase of stocks of finished goods can also be caused by order cancellations.

"A global slowdown in manufacturing and improvement of supply chains might also help to cool inflation. The PMI indicates that input prices are rising at a slower rate. The Input Prices Index dropped to a 17-month low. Natural gas and electricity prices will probably stay elevated until at least 2024, but lower goods inflation would certainly help."

PMI® by S&P Global

At the same time, stocks of finished goods rose at the strongest rate in the survey's history during June, albeit mildly overall. A number of panellists indicated that delivery delays had prompted them to build their stock holdings.

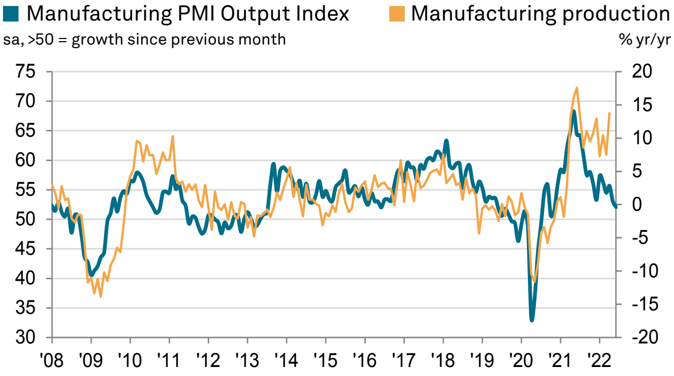
Supply chains were strained once again in June. Although, the incidence of delays was the lowest for 20 months. Subsequently, Dutch manufacturing companies faced another steep rise in backlogs of work, with growth now seen over the last 19 months.

Headcounts rose for the twentieth month in a row during June. Despite softening from that seen in May, the rate of job creation remained sharp overall.

Input price inflation slowed for the second month running in June to the softest since the start of 2021. The rate of increase was marked, however, and much quicker than the long-run average. Panel members reported higher prices for steel, fuel, energy and raw materials.

Firms opted to protect their profit margins by raising their selling prices during the month. The rate of inflation was among the quickest in the series despite softening to a ten-month low.

Finally, Dutch manufacturers were confident that their output levels would expand over the next 12 months. Moreover, the degree of optimism improved from May to a four-month high amid hopes that global economic conditions would improve and provide a boost to consumer demand.



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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