News Release

Embargoed until 0700 CET (0600 UTC) 1 March 2023

Nevi Netherlands Manufacturing PMI®

Sustained reduction in new orders weighs on overall sector performance

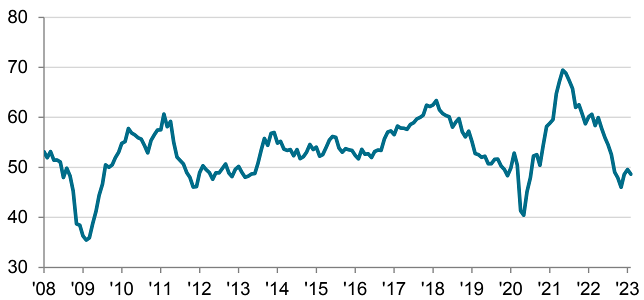
Key findings

Upturns in production and employment only slight

Lead times shorten to the greatest extent since July 2009

Inflationary pressures cool further

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



Sources: Nevi, ABN AMRO, S&P Global.
Data were collected 10-20 February 2023.

Manufacturing firms in the Netherlands signalled a further deterioration in operating conditions during February. Muted customer demand remained a central theme within the latest survey, and reportedly drove further drops in new orders and purchasing activity, as well as softer growth in production and employment.

There was, however, some positive news on the inflation and supply chain front. Rates of both input cost and selling price inflation continued to cool, while vendor performance improved for the second month in a row. Furthermore, firms were hopeful that market conditions would improve over the next 12 months.

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. Falling to 48.7 in February, down from 49.6 in January, the latest PMI reading was indicative of a deterioration in the health of the Dutch manufacturing sector for the sixth successive month. Notably, the rate of decline quickened from January and was broadly in line with that registered at the end of 2022.

A sustained drop in order book volumes was the principal factor weighing on overall sector performance in February. The reduction in sales was the seventh in as many months and reportedly a result of weak underlying demand conditions. Foreign demand also deteriorated again, as signalled by a further contraction in new export orders.

Factory output in the Netherlands rose for the second month in a row in February, albeit to a lesser extent than seen in the first month of the year. Some firms who registered growth in output mentioned that there have been some tentative signs of market improvement. Others, however, reportedly continued to struggle in the face of relatively muted demand trends.

Sufficient stock holdings for current output requirements and a sustained drop in sales meant that Dutch manufacturing firms lowered levels of input buying further in February. As such, there was a fresh and solid reduction in holdings of raw materials and semi-finished goods.

Stocks of finished goods likewise decreased in February as firms reportedly looked to downwardly adjust inventory levels to realign with current demand trends.

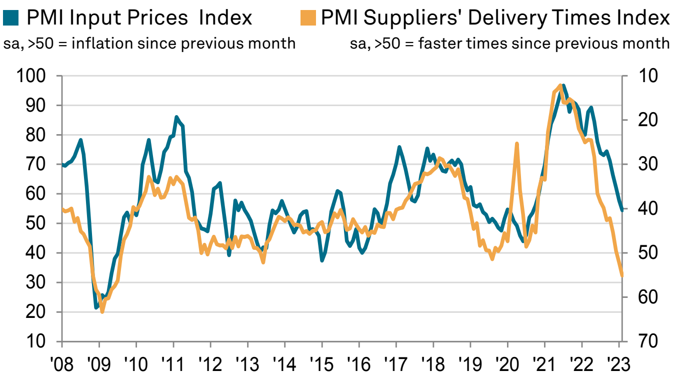
With order book volumes continuing to shrink, Dutch manufacturing plants were able to focus on clearing outstanding orders in February. This was evidenced by a contraction in backlogs of work for the sixth time in the past seven months.

Another consequence of falling new orders in February was a further slowdown in the rate of employment growth. Notably, the rate of job creation was the weakest seen over the current 28-month sequence of growth and only marginal. While some firms hired additional staff ahead of planned company expansions and upcoming projects, others looked to cut workforce numbers amid the drop in sales.

More positively, lead times for inputs shortened for the second consecutive month in February and at a marked rate overall. In fact, the latest improvement was the most pronounced since July 2009. Anecdotal evidence suggested that the slowdown in demand was a pivotal factor aiding supply chain recovery.

Inflationary pressures came further off the boil midway through the first quarter of the year. Rates of input cost and selling price inflation eased to 29- and 25-month lows in February, respectively. That said, reports of increasing energy and labour costs remained widespread among panel members.

Companies were optimistic that output levels would rise over the next 12 months. Unchanged from that seen in January, the degree of confidence remained historically elevated and was the joint-strongest in a year. Optimism was mainly underpinned by hopes for a pick-up in client demand and a recovery in overall market conditions.



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

Comment

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

"The Nevi Netherlands Manufacturing PMI decreased from 49.6 in January to 48.7 in February, signalling a further drop in business activity. Industrial output again increased only slightly, while backlogs of work and stocks of purchases have decreased again, after small gains in January. New orders continued to fall, albeit at a slow rate.

"Although industrial output might have bottomed out near the end of 2022, it is clear that firms are still reducing excess inventories that were built during the pandemic. Interest rates have increased very fast, which makes it more expensive to finance inventories, and now that supply chain disruption is basically over, material shortages have disappeared, making holding large inventories unnecessary, especially since demand is slow. While firms are still reducing stock holdings, most excess inventories seem to have been unwound already during the fourth quarter. Statistics Netherlands (CBS) reported that Dutch firms reduced their inventories by 5.5 billion euros, or 0.7% of Dutch Gross Domestic Product in constant prices. The last time that inventories were reduced to such a large extent was in 2009, during the financial crisis.

"On the one hand, this situation causes weak demand for industrial goods and materials. On the other hand, this temporary weakness gave supply chains some time to recover, which has helped automakers and machine builders to finally get their hands on the parts they so badly needed to increase production.

"Another benefit of weak demand is that the prices of some materials have started to drop. Producers of intermediate goods have experienced a notable reduction in costs. This is probably mostly driven by lower energy prices, since many intermediate goods such as chemicals and metals are energy-intensive. Nevertheless, energy prices are still elevated, about three times as high as two years ago. Moreover, prices of other energy sources such as coal have also dropped, leaving the mostly gas-dependent heavy industry in Europe relatively expensive compared to competitors in for example China and India. Thus, energy prices will probably continue to weigh on heavy industry. Despite the drop in natural gas prices to levels last observed before the Russian invasion in Ukraine, gas demand from the Dutch manufacturing sector has not picked up yet, which probably means many energy-intensive firms are still severely limiting production.

"Dutch firms seem very optimistic about growth in the coming 12 months. Apart from heavy industry, the Dutch manufacturing sector was spared a severe crisis and might grow somewhat soon. Still, it is hard to see where strong growth will be coming from in the short term."

Contact

ABN AMRO
Albert Jan Swart
Manufacturing Sector Economist
T: +31 6 41449681
albert.jan.swart@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.

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.

PMI® by S&P Global

ABN·AMRO