

Despite the Iran war, industry growth is picking up again

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Conditions for the Dutch manufacturing sector have further improved, according to the Nevi Dutch Manufacturing PMI, which rose from 53.8 to 55.6 in September. Both production and the volume of new orders rose at a rapid pace.

The component indicator for output even rose to its highest score since January 2022, before the start of Russia's invasion of Ukraine. The Dutch manufacturing industry is ramping up production considerably due to continued strong demand.

Despite the ongoing war in Iran, which has led to high energy prices, demand continues to increase at a steady pace, including from abroad. The growing demand for industrial products is likely due to a strong increase in AI investment and in defence. The Eurozone manufacturing industry shows the strongest growth in more than four years, according to preliminary purchasing managers surveys conducted by S&P Global. The strongest growth in September was reported by industrial buyers in Germany, the most important export market for the Dutch manufacturing industry. Germany has a sizeable defence industry that benefits greatly from the rapidly rising defence spending of European NATO member states. Other countries that are seeing rapid increase in industrial activity include Taiwan, Japan and South Korea, which are benefiting greatly from the rapidly growing demand for chips.

Dutch industry is likely to benefit mainly from the growing demand for chip machines and their electrotechnical components. Nevertheless, it seems that the demand for other types of machinery is also recovering, after the weak demand of recent years, for example the demand for machinery for the food industry and agriculture. The Netherlands is only able to benefit directly from the rapidly growing demand for defence equipment to a limited extent, but Dutch suppliers to German arms manufacturers are also benefiting.

Furthermore, the Dutch industry is probably still benefiting from hoarding behaviour as a result of the war with Iran. The effective closure of the Strait of Hormuz has severely disrupted the production of oil and oil products. Strikes on Russian refineries by the Ukrainian military have further boosted the margins of the petroleum industry. The Netherlands, which has the largest refining capacity in Europe, can benefit from these sharply increased margins.

Source: <https://www.abnamro.com/research/en/our-research/despite-the-iran-war-industry-growth-is-picking-up-again>