

# HSBC Vietnam Manufacturing PMI™

## Vietnamese manufacturing output continues to grow but pace of expansion eases

### Summary

The recent run of monthly improvements in Vietnamese manufacturing business conditions continued in February as further rises in output, new orders and employment were recorded. Supply shortages led to an increase in input costs during the month, but the rate of inflation remained broadly stable and panellists left their output prices unchanged in an effort to stimulate new business.

The headline seasonally adjusted *Purchasing Managers' Index™ (PMI™)* – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – posted 51.0 in February, down from 52.1 in January but still signalling an improvement in operating conditions in the sector. Business conditions have now strengthened in each of the past six months.

Vietnamese manufacturing firms recorded a further increase in production during February. That said, the rate of expansion eased to the slowest since last October. Where output did rise, this was linked by respondents to higher new orders.

Overall new business rose modestly. New orders have increased in five of the past six months. Some panellists reported improved client demand. On the other hand, new export orders fell during the month, following a modest increase at the start of the year.

A slower rise in new work contributed to a depletion of outstanding business during February. Moreover, the rate of decline in backlogs quickened to the strongest since last August. Firms partly met new orders through the delivery of finished goods to clients. As a result, post-production inventories decreased. Moreover, the rate of depletion was sharp and the fastest in the history of the survey which began in April 2011.

Increased workloads led manufacturers to raise employment, although as with output and new orders the rate of growth eased. Staffing levels have now risen in each of the past seven months.

Another solid increase in input prices was recorded in February, with panellists mainly linking inflation to a shortage of materials at suppliers. The rate of inflation remained broadly in line with those seen in recent months. Despite the rise in input costs, manufacturers left their output prices unchanged as part of attempts to maintain growth in sales.

Suppliers' delivery times were unchanged in February. While some panellists indicated that requests for faster deliveries had been met by suppliers, others indicated that material shortages had led to longer lead times.

Firms continued to raise their input buying at a solid pace, with this sixth successive monthly increase in purchasing activity partly reflective of attempts to build stocks for the future. This had the effect of reducing the pace of depletion of stocks of purchases, which fell only fractionally.

### Comment

Commenting on the Vietnam Manufacturing PMI™ survey, Trinh Nguyen, Asia Economist at HSBC said:

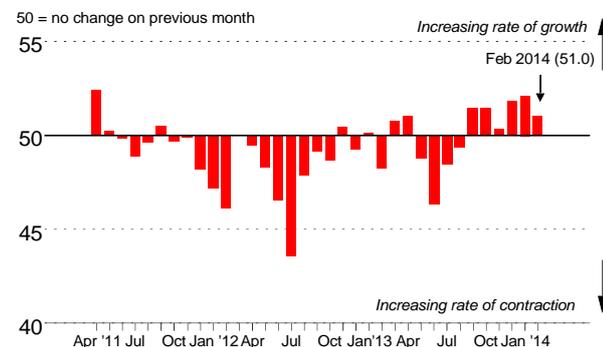
*"The manufacturing sector continues to be Vietnam's bright spot with output and employment expanding. Weakened external demand, especially in China, however, is a concern. This means that although we continue to expect output to continue to expand on higher orders and reduced inventories, Vietnam faces strong headwinds. With inflation manageable and domestic demand weak, we expect the central bank to keep the OMO rate on hold at 5.5%."*

### Key points

- Slower rises in output and new orders
- Job creation continues, albeit at reduced pace
- Output prices left unchanged

### Historical Overview

#### HSBC Vietnam PMI



Sources: Markit, HSBC.

**For further information, please contact:**

## **HSBC**

Trinh Nguyen, Asia Economist  
Telephone +852-2996-6975  
Email [trinhdnguyen@hsbc.com.hk](mailto:trinhdnguyen@hsbc.com.hk)

Giang Cao  
Head of Group Communications, HSBC Bank (Vietnam) Ltd  
Telephone +848-3829-2288  
Email [giangcao@hsbc.com.vn](mailto:giangcao@hsbc.com.vn)

Hoai Anh Ly  
Communications Manager  
Telephone +848-3520-3483  
Email [anh.hoi.ly@hsbc.com.vn](mailto:anh.hoi.ly@hsbc.com.vn)

## **Markit**

Andrew Harker, Senior Economist  
Telephone +44-1491-461-016  
Email [andrew.harker@markit.com](mailto:andrew.harker@markit.com)

Alex Brog, Corporate Communications  
Telephone +44-20-7264-7602  
Email [alex.brog@markit.com](mailto:alex.brog@markit.com)

## **Notes to Editors:**

The HSBC Vietnam Manufacturing PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 400 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to Vietnamese GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The *Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</sup>) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact [economics@markit.com](mailto:economics@markit.com).

## **HSBC:**

HSBC is one of the world's largest banking and financial services organisations. With around 6,600 offices in both established and faster-growing markets, we aim to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

We serve around 55 million customers through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 80 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Our aim is to be acknowledged as the world's leading international bank.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by about 216,000 shareholders in 130 countries and territories.

### **About Markit:**

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,000 people in 11 countries. For more information, please see [www.markit.com](http://www.markit.com)

### **About PMI:**

*Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</sup>) surveys are now available for 32 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. To learn more go to [www.markit.com/economics](http://www.markit.com/economics)

**The intellectual property rights to the HSBC Vietnam Manufacturing PMI<sup>™</sup> provided herein are owned by or licensed to Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit 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 Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index<sup>™</sup> and PMI<sup>™</sup> are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. HSBC use the above marks under license. Markit is a registered trade mark of Markit Group Limited.**