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# IHS Markit Vietnam Manufacturing PMI®

## New order growth quickens to four-month high

### Key findings

New business expands, but output ticks down

Slight rises in employment and purchasing activity

Fastest increase in input costs since May

Business conditions improved in the Vietnamese manufacturing sector during December, driven by a faster rise in new orders. Employment and purchasing activity also increased, but output was scaled back slightly amid reports of issues on production lines. The rate of input cost inflation quickened and output prices rose, but inflationary pressures remained relatively muted.

The Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) posted 50.8 in December, a fraction lower than the reading of 51.0 in November and signalling a slight improvement in the health of the manufacturing sector. Business conditions have strengthened in all but one month since the end of 2015, the only exception being no change in October 2019.

New orders expanded for the forty-ninth month running at the end of 2019, linked by respondents to stronger customer demand. The rate of expansion was solid and the fastest in four months. The increase in total new business was registered in spite of a drop in new export orders, the first in just over four years.

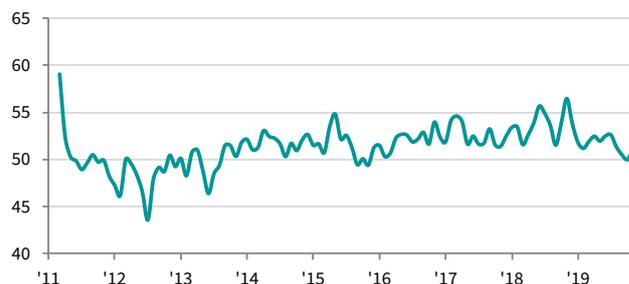
Although new business increased, manufacturers noted a slight reduction in output. The dip was the third in the past four months, and attributed by some panellists to issues with production lines.

The combination of rising new orders and lower output led to a build-up of backlogs of work in December, extending the current sequence of accumulation to four months. Meanwhile, firms used inventories to help fulfil orders. As a result, stocks of finished goods decreased for the third successive month.

Manufacturers responded to higher new orders by expanding both their staffing levels and purchasing activity. Employment was up for the second month running, with the expansion

*continued...*

Vietnam Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

Commenting on the latest survey results, Andrew Harker, Associate Director at IHS Markit, said:

*"The final IHS Markit Vietnam Manufacturing PMI of 2019 was largely positive, particularly with regards to new orders which increased at the fastest pace since August. While output ticked down, comments from survey respondents suggested that this was at least in part due to issues with production processes and so should hopefully prove temporary, especially if new business continues to rise solidly."*

*"After enduring a soft patch in recent months, the Vietnamese manufacturing sector remains in healthy shape, with firms ready to take advantage of any opportunities that arise during 2020."*

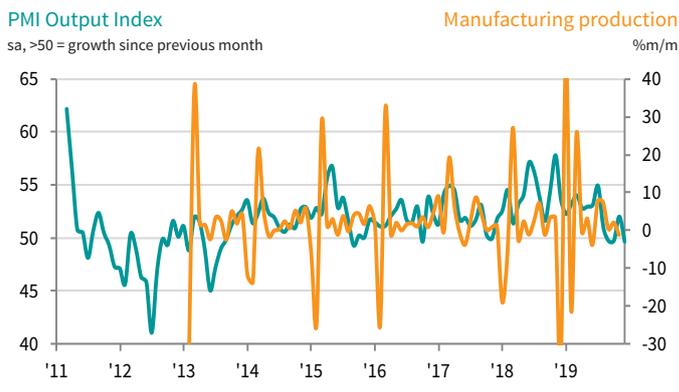
centred on intermediate goods producers.

Input buying was also up for the second month in a row, albeit to a lesser extent than was the case in November. Suppliers' delivery times, meanwhile, lengthened marginally amid some reports from panellists of delays in the delivery of imported items.

Input costs rose solidly at the end of the year, with the rate of inflation quickening to a seven-month high. Respondents generally mentioned higher market prices for raw materials. That said, the rate of inflation remained weaker than the series average.

The passing on of higher input costs to customers led manufacturers to raise their selling prices during December. The increase was the second in the past three months, but only slight.

Plans for increasing production amid higher new orders meant that firms expect output to expand over the coming year. Around 39% of respondents predicted a rise in production, with sentiment unchanged from that seen in the previous month.



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### Methodology

The IHS Markit Vietnam Manufacturing PMI® is compiled by IHS Markit from responses to monthly questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

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.

December 2019 data were collected 05-13 December 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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### 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. To learn more go to [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).