News Release

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IHS Markit Vietnam Manufacturing PMI®

Production ticks down, ending 21-month sequence of growth

Key findings

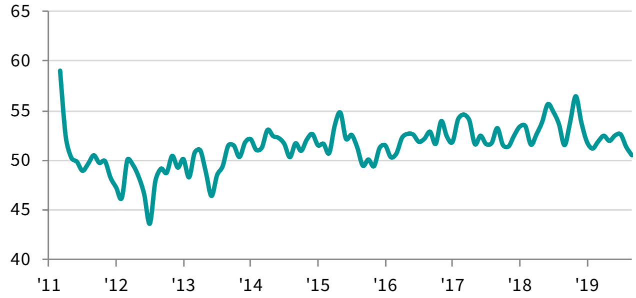
Output falls marginally in September

Slower rises in new orders and exports

Staffing levels decrease

Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Vietnamese manufacturing production dipped in September amid a further slowdown in the rate of new order growth. Employment levels were also down slightly and business confidence was among the lowest in the series history. Signs of weakening demand conditions meant a continued lack of pressure on prices. Input costs were up only marginally, while output prices were reduced again.

The Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) fell to 50.5 in September, signalling only a marginal improvement in business conditions, and the weakest since February 2016. The reading was down from 51.4 in August, falling for the second month in a row.

A slowdown in new order growth was registered at the end of the third quarter, with the latest modest increase the softest since August 2016. Weaker customer demand was mentioned by a number of respondents. This was also the case in international markets as new export orders rose at a slower pace.

Weaker growth of new business resulted in a slight fall in manufacturing production, the first since November 2017.

Staffing levels were also reduced at the end of the third quarter, ending a three-month sequence of job creation. Employee resignations were widely reported to have contributed to the fall. Reduced operating capacity meant that firms were sometimes unable to complete orders during the month, leading to a modest increase in backlogs of work.

Lower output requirements discouraged input buying in the sector, with the rate of growth in purchasing activity slowing to near-stagnation. Stocks of both purchases and finished goods also increased marginally.

Price reductions by some suppliers attempting to secure new business meant that the rate of input cost inflation remained

continued...

Comment

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

"The initial signs of a slowdown which we noted last month strengthened during September as demand waned again. Manufacturers responded to softer inflows of new work by bringing the recent period of output growth to an end and showing a reluctance to take on extra staff and purchase inputs. Concerns about demand conditions were also evident in relatively weak sentiment data.

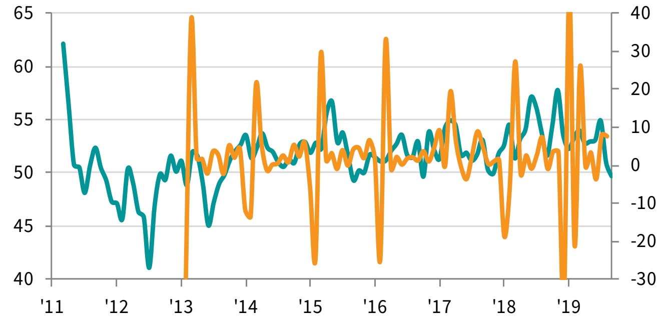
"The latest PMI figures show that while the Vietnamese manufacturing sector has been one of the best performers globally in recent months, the slowdown in global trade flows amid trade tensions between the US and China is starting to impact firms negatively as we enter the final quarter of 2019."

muted in September. Input prices rose marginally, and at a much weaker pace than the series average.

A lack of pressure from input costs enabled manufacturers to offer price reductions to customers in order to stimulate demand. Output prices decreased for the tenth month running. Although the latest reduction was slight, it was the most marked since June.

Suppliers' delivery times lengthened for the second month running, with panellists sometimes linking delays to shortages of materials at vendors.

Business sentiment deteriorated for the second successive month in September. While firms generally remained optimistic of a rise in production over the coming year, confidence was the lowest since August 2018 and the second-weakest since future expectations data were added to the survey in April 2012. Worries about market demand were behind reduced sentiment, according to respondents.



Sources: IHS Markit, General Statistics Office of Vietnam.

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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.

September 2019 data were collected 12-20 September 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About IHS Markit

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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.