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IHS Markit Vietnam Manufacturing PMI®

Renewed rise in COVID-19 case numbers and labour shortages threaten recovery

Key findings

Output rises, but growth stymied by labour shortages

Staffing levels continue to fall

Inflationary pressures intensify

Data were collected 12-22 November 2021.

Overall business conditions in the Vietnamese manufacturing sector improved for the second month running in November, but renewed worries about the COVID-19 pandemic and associated labour shortages limited growth momentum. Meanwhile, inflationary pressures continued to strengthen, with both input costs and output prices increasing to the greatest extents since April 2011.

The Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) ticked up to 52.2 in November from 52.1 in October, signalling a second successive modest improvement in business conditions following a period of decline caused by the wave of the COVID-19 pandemic earlier in the year.

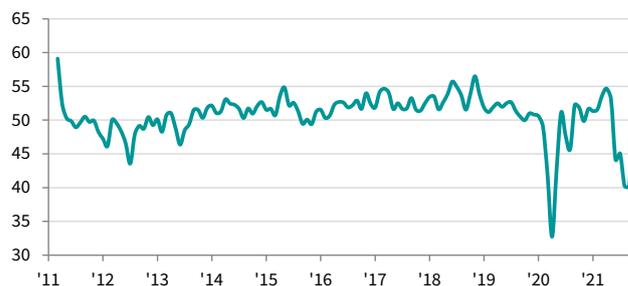
New orders increased for the second month running as the easing of pandemic restrictions in recent months helped demand in the sector. Moreover, the rate of expansion was solid and the sharpest since April. New export orders also increased again, but only modestly as COVID-19 continued to constrain international trade.

Higher new orders and a lower level of restrictions than seen earlier in the year meant that manufacturers were able to expand their production volumes again in November. While new order growth accelerated, this was not the case for output which increased at a broadly similar pace to that seen in October. A number of firms indicated that labour shortages had restricted production.

A number of respondents indicated that workers were concerned about the pandemic and therefore reluctant to return to work, thereby making it difficult for manufacturers to expand staffing levels in line with greater workloads. Employment continued to fall markedly, extending the current sequence of reduction to six months. As a result, backlogs of work increased for the third month running.

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



Source: IHS Markit.

Comment

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

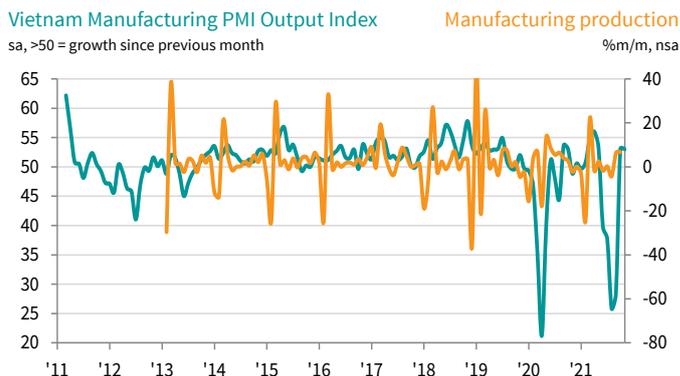
"While the Vietnamese manufacturing sector remained in growth territory in November, a renewed wave of the COVID-19 pandemic clouds the near-term outlook for firms. Business confidence slipped from the previous month, while worries about the health situation continued to deter workers from returning to factories, thereby limiting the extent to which firms were able to raise output. The length and severity of the current wave of infections will therefore go a long way to determining how the sector performs at the end of 2021 and start of 2022."

Worries about the pandemic also impacted confidence among manufacturers, with sentiment dropping from October. That said, firms remained optimistic that output will increase over the coming year amid hopes that the health situation will improve.

Higher oil and transportation costs, as well as raw material shortages, contributed to a further increase in input prices in November. Moreover, the rate of inflation accelerated for the third month running and was the steepest since April 2011. The same was also true for output charges, which rose at a much faster pace than in October as firms passed on higher costs to their customers.

Manufacturers expanded their purchasing activity for the second successive month in November, albeit at a reduced pace. Despite the increase in input buying, stocks of purchases declined for the first time in four months. Respondents indicated that the use of inputs to support production and issues securing materials were behind the drop.

The challenges in securing inputs were highlighted by data signalling a further marked lengthening of suppliers' delivery times. Raw material shortages, a lack of shipping capacity and issues with transportation due to the COVID-19 pandemic all contributed to delivery delays. That said, the latest deterioration was the least marked in six months.



Sources: IHS Markit, General Statistics Office of Vietnam.

Contact

Andrew Harker
Economics Director
IHS Markit
T: +44 1491 461 016
andrew.harker@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44 207 260 2234
joanna.vickers@ihsmarkit.com

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.

November data were collected 12-22 November 2021.

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

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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.

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