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IHS Markit Vietnam Manufacturing PMI®

Backlogs of work surge amid restrictions on production volumes

Key findings

Fastest rise in backlogs on record as output falls sharply again

Staffing levels decline at record pace

Unprecedented supply-chain disruption continues

Data were collected 13-22 September 2021.

The Vietnamese manufacturing sector saw a further sharp fall in production during September as the sector continued to be severely impacted by the current wave of the COVID-19 pandemic in the country and the restrictions put in place to try and contain the spread of the virus. New orders were also down sharply and the rate of decline in staffing levels accelerated. The sustained period of restricted production fed through to a record rise in backlogs of work.

Meanwhile, travel restrictions and ongoing international supply-chain disruption resulted in the worst delays for the receipt of inputs on record and contributed to a further sharp increase in input costs. Meanwhile, firms were only able to raise their own selling prices at a slight pace amid weak demand.

The Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) remained at 40.2 in September, signalling a further marked deterioration in business conditions across the sector.

Temporary business closures, transportation difficulties and staff shortages all contributed to a fourth successive reduction in manufacturing output in Vietnam, and one that remained considerable.

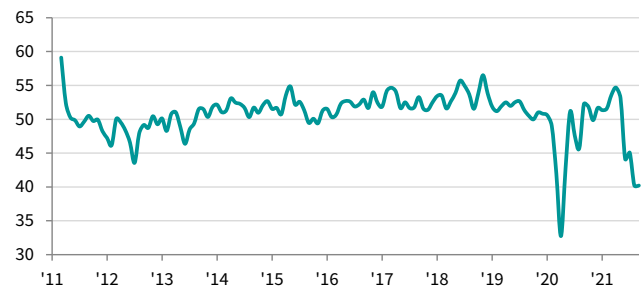
New orders also fell sharply, and to the greatest extent since April 2020. Alongside a sharp reduction in domestic new business, firms pointed to a much sharper reduction in new export orders than that seen during August.

Employment levels decreased at the sharpest pace since the survey began in March 2011. Some panellists reported that employees had resigned due to a lack of work, while others scaled back staffing levels amid pauses in production.

The sustained period of restrictions on output and sharply falling staffing levels led to a surge in backlogs of work. Outstanding business rose for the first time in four months, and at a pace that was by far the strongest in the survey's history.

continued...

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:

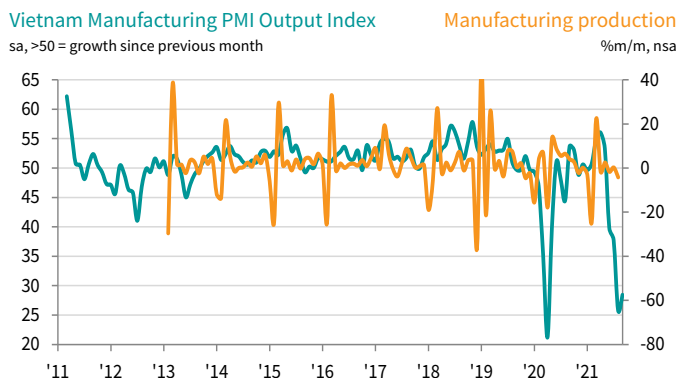
"The themes seen in recent months were repeated across the Vietnamese manufacturing sector in September, according to the latest PMI data. Firms again faced huge restrictions on their ability to produce, leading to a steep fall in employment and a surge in backlogs of work following a sustained period of reduced output. On a more positive note, there are signs that the latest wave of the pandemic has peaked and vaccination programmes are making good progress. If cases continue to trend down and restrictions are eased, then firms should be able to see growth resume over the final quarter of the year."

As well as lowering staffing levels, manufacturers also reduced their purchasing activity in response to lower production requirements. Meanwhile, supply-chain delays intensified, with lead times lengthening at a new record pace for the third consecutive month.

Issues with the supply of raw materials contributed to further upward pressure on purchase prices, while there were widespread reports of higher transportation costs. As a result, input prices continued to rise sharply, with the rate of inflation slightly faster than in August. On the other hand, selling prices rose only slightly, and at the weakest pace since June. Firms indicated that weak demand meant they offered discounts in order to try to secure sales.

Restricted production volumes impacted inventory holdings. Inventories of purchases rose as inputs were kept in stock rather than being used in production. In turn, falling output meant that stocks of finished goods continued to decrease.

Firms generally expect output to recover over the coming year, with production set to start rising during the final quarter of 2021 should the pandemic be brought under control and restrictions lifted. Business sentiment picked up from the 15-month low seen in August, but remained relatively muted.



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 data were collected 13-22 September 2021.

For further information on the PMI survey methodology, please contact 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.

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