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IHS Markit Vietnam Manufacturing PMI®

Output growth recorded for first time in three months

Key findings

Both output and employment return to growth

New orders rise at sharper pace

Output prices lowered amid marginal cost inflation

The Vietnamese manufacturing sector returned to growth in November, as output increased for the first time in three months and new orders expanded at a faster pace. Employment also returned to growth midway through the final quarter of the year. Meanwhile, the rate of input cost inflation softened to an 11-month low, with output prices reduced accordingly.

The Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) registered 51.0 in November, up from the neutral reading of 50.0 in October. The PMI signalled a marginal improvement in the health of the sector. Business conditions have now strengthened in all but one month across the past four years.

Production increased for the first time in three months during November, following marginal reductions in September and October.

Where output rose, panellists generally linked this to higher new orders, which expanded more quickly than in October. New business has now increased in each month throughout the past four years. Improved customer demand and the securing of new clients were reportedly behind the rise in new work. Growth of new export orders also picked up in November.

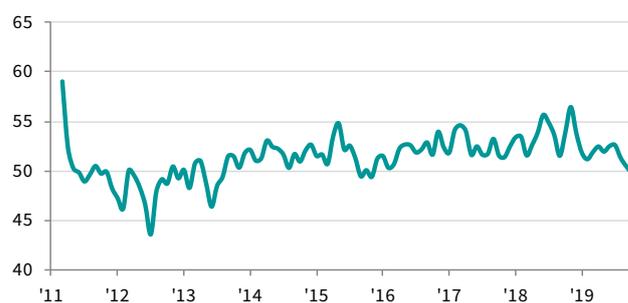
Employment rose for the first time in three months amid increased new orders. Despite greater capacity and a return to growth of production, firms reported another modest accumulation of backlogs of work.

Latest data signalled a continued lack of inflationary pressures within the sector. Input costs rose only marginally and at the weakest pace in the current 11-month sequence of inflation. This lack of pressure on input costs meant that manufacturers were able to offer discounts to their customers. Output prices decreased, following a first increase in almost a year in October.

The need to support increases in output amid higher new orders

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:

"Some positive news on the Vietnamese manufacturing sector was evident from the latest PMI dataset, with output up for the first time in three months and a return to employment growth signalled. This suggests that the recent soft patch may be coming to an end.

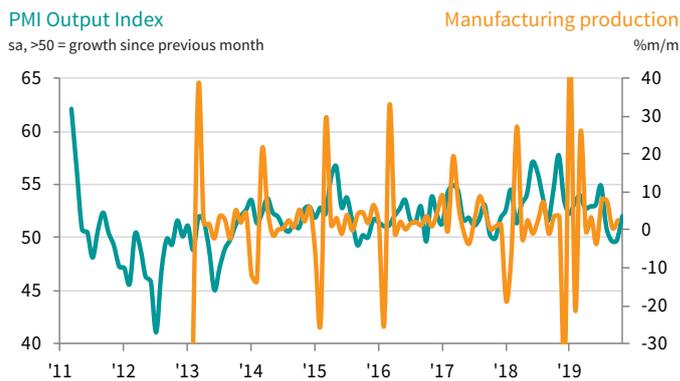
"Firms are still playing catch-up to some degree from restrictions to output and capacity in recent months, however, seeing backlogs of work continue to rise and needing to use stocks to help supplement production. This bodes well for trends in output and employment in coming months as firms continue efforts to meet ongoing rises in new orders."

encouraged firms to expand their purchasing activity during November. The modest rise in input buying followed no change in the previous month, and contributed to an accumulation of stocks of purchases.

Firms were helped in their purchasing efforts by a quickening of suppliers' delivery times, the first time this has been the case in four months.

Stocks of finished goods, meanwhile, fell for the second month in a row. Some panellists indicated that they had used post-production inventories to help meet new orders following slight reductions in output in previous months.

Business sentiment dipped from October, but remained positive as around two-fifths of respondents predicted an increase in output over the coming year. According to survey participants, optimism was centred on expected growth of new orders and efforts to expand capacity.



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.

November 2019 data were collected 12-21 November 2019.

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. To learn more go to ihsmarkit.com/products/pmi.html.