Vietnamese manufacturers complete solid second quarter in June

June data completed a solid second quarter of 2019 for the Vietnamese manufacturing sector, with business conditions improving amid ongoing new order growth. There was also a return to job creation in June, after employment had dipped marginally in May. Rising workloads also led manufacturers to increase their purchasing activity, with efforts to build inventories amid confidence around the near-term outlook for new orders also highlighted.

The rate of input cost inflation softened to a three-month low, thereby enabling firms to continue recent discounting of selling prices.

The Vietnam Manufacturing Purchasing Managers’ Index™ (PMI®) posted 52.5 in June, up from 52.0 in May and in line with the reading from April. The average PMI reading for the second quarter of 2019 was above that seen in the opening three months of the year, albeit remaining short of the 2018 average.

Vietnamese manufacturers continued to record solid growth of new orders in June, with the rate of expansion ticking up to a six-month high. Panellists linked the latest rise to the launch of new products and increased customer numbers. Less positive data was seen with regards to new export orders, which rose at the slowest pace since February. There were some reports that the US-China trade tensions had impacted negatively on export orders.

Higher new orders was the key factor leading to a nineteenth successive monthly rise in manufacturing production in Vietnam. The upturn in output was solid, and broadly in line with those seen during the rest of the second quarter.

Continued marked new order growth led to a rise in backlogs of work in June, the first in 2019 so far. Firms responded to higher workloads by taking on extra staff, reversing the decline seen in

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May.

Alongside job creation, higher workloads also encouraged manufacturers to purchase additional inputs in June. Moreover, the rate of expansion was marked and the fastest in three months. Some panelists reported efforts to build inventory reserves. Higher input buying and shorter delivery times enabled firms to raise stocks of purchases for the third consecutive month.

On the other hand, stocks of finished goods decreased modestly for the second month in a row.

Input prices rose at a relatively modest pace in June, and one that was the softest in three months. Where input costs did rise, panelists reported higher market prices for items such as oil and gas. Relatively weak input cost inflation meant that manufacturers were able to lower their output prices again.

Charges have now decreased in seven successive months, with the rate of decline broadly stable throughout the second quarter.

Although manufacturers remained optimistic that output will increase over the coming year, the level of confidence dropped sharply in June and was the lowest since February. Some panelists reported concerns regarding the US-China trade situation. Where growth was predicted, respondents linked optimism to planned business investment, new product launches and entry into new markets.