News Release

Embargoed until 0730 ICT (0030 UTC) 1 July 2019

IHS Markit Vietnam Manufacturing PMI®

Vietnamese manufacturers complete solid second quarter in June

Key findings

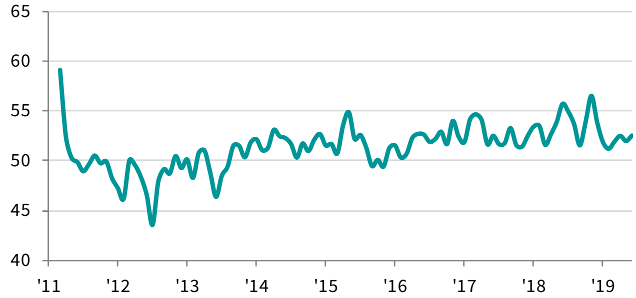
New order growth strongest in year-to-date

Employment returns to growth

Cost inflation at three-month low

Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

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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Comment

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

"The Vietnamese manufacturing sector continues to bob along nicely midway through 2019. The second quarter of the year saw solid growth that was broadly stable across the period and an improvement on the first quarter. Ongoing strength in demand encouraged firms to fill positions that had been vacated by resigning staff in May, leading to a return to job creation.

"One concern outlined by some firms was the US-China trade issues, which contributed to a moderation of export growth and weaker business confidence."

PMI® By IHS Markit

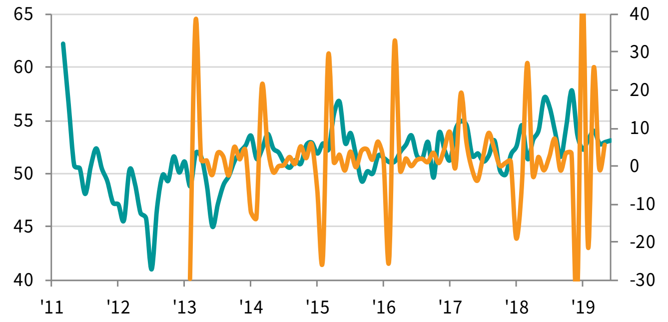
May.

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 panellists 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, panellists 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 panellists 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.



Sources: IHS Markit, CSO.

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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.

June 2019 data were collected 12-20 June 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.