News Release

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Nikkei Vietnam Manufacturing PMI®

Growth rates moderate at start of 2019

Key points:

- Weaker rises in output, new orders and employment
- Input costs increase only slightly and output prices decrease
- Continued output growth expected during 2019

Data collected January 11-23

The start of 2019 saw a moderation of growth in the Vietnamese manufacturing sector. Rates of expansion in output, new orders and employment continued to ease from the recent highs seen in November last year. That said, operating conditions in the sector continued to improve as firms were again able to attract customers and business confidence remained strong.

Latest data again signalled a lack of inflationary pressures in January. Input costs increased marginally, while output prices decreased for the fourth time in the past five months.

The headline Nikkei Vietnam Manufacturing *Purchasing Managers' Index™ (PMI®)* – a composite single-figure indicator of manufacturing performance – posted 51.9 in January, thereby signalling a modest strengthening of business conditions in the sector. The reading was down from 53.8 in December to the lowest since last September, but growth has now been registered in 38 successive months.

In line with the headline figure, both output and new orders increased at softer rates in January. However, in both cases, growth remained solid amid reports of improving client demand. Production has now risen in each of the past 14 months. Alongside growth of total new business, new export orders also continued to expand, but at a weaker rate than in December.

Inflationary pressures were muted again in January. Input prices increased following the first fall in almost three years in December, but the rate of inflation was only marginal and well below the series average. Panellists reported softening market prices, although material shortages led to price rises in some cases. With input costs up only

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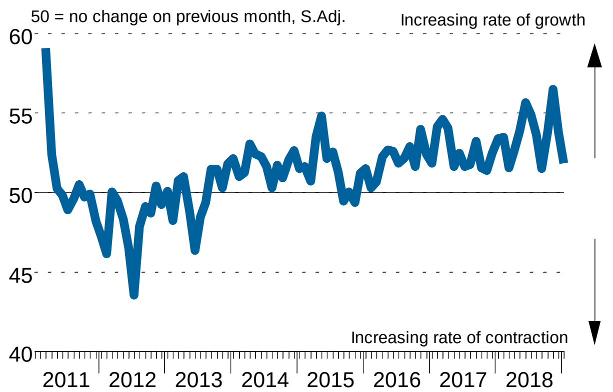

Sources: Nikkei, IHS Markit

slightly, companies lowered their output prices again at the start of 2019. Selling prices have decreased in four of the past five months.

Manufacturers continued to take on extra staff in response to higher new orders, extending the current sequence of job creation to 34 months. This additional capacity helped firms to work through their outstanding business as new order growth slowed. Backlogs of work decreased for the first time in three months.

Stock building continued in January, with both pre- and post-production inventories accumulating. The rise in stocks of purchases was supported by a solid increase in input buying, though in both cases growth eased to the slowest since September last year.

The time taken by suppliers to deliver purchased items lengthened for the second month running as demand for inputs rose further. That said, lead times were up only marginally, as was the case in December.

Firms were again strongly confident that output will rise over the coming year, with more than half of all respondents expressing optimism. Sentiment was broadly in line with the series average. Panellists indicated that expected improvements in customer demand over the next 12 months should help them to meet company plans.

Comment:

Commenting on the Vietnamese Manufacturing PMI survey data, **Andrew Harker,** Associate Director at IHS Markit, which compiles the survey, said**:**

"While still signalling growth for the Vietnamese manufacturing sector, the latest PMI data highlight that the economy can't be completely immune from the weakness seen elsewhere in the region and issues with global trade. While these issues persist, therefore, the sector is likely to remain in a softer growth phase."

-Ends-

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Notes to Editors:

The Nikkei Vietnam Manufacturing *PMI*® is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by GDP and company workforce size. The manufacturing sector is divided into the following 8 broad categories: Basic Metals, Chemicals & Plastics, Electrical & Optical, Food & Drink, Mechanical Engineering, Textiles & Clothing, Timber & Paper, Transport.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Nikkei Vietnam Manufacturing *PMI*® is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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