News Release

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IHS Markit Vietnam Manufacturing PMI®

Sharp contraction in manufacturing output amid coronavirus disruption

Key findings

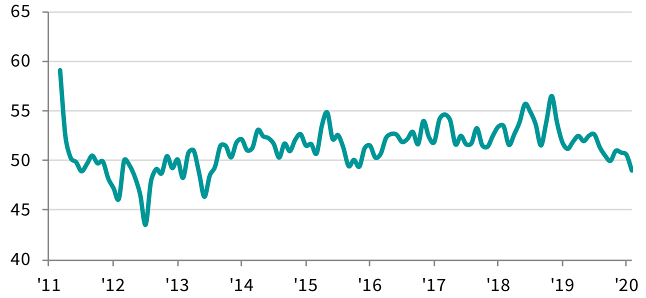
Quickest fall in production since June 2013

New orders decline amid weaker demand from China

Fresh decrease in employment as illness fears spread

Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

According to the latest PMI survey, coronavirus has severely impacted the Vietnamese manufacturing sector in February. Output contracted at the fastest pace for over six-and-a-half years, new orders fell for the first time since November 2015 and employee numbers dropped. Meanwhile, lower availability of Chinese goods put upward pressure on input prices and firms absorbed the additional costs amid an inability to increase output charges.

Looking forward, producers were optimistic of an upturn in output over the coming year, but the degree of positivity weakened.

The Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) fell below the 50.0 no-change mark in February, signalling a deterioration in business conditions. The result represented the first decline for over four years.

A key factor behind the deterioration in business conditions was a marked contraction in factory production during February. Panellists often noted that COVID-19 had caused disruption to output, which decreased at the quickest rate since June 2013.

The virus also had a negative impact on demand in February. New orders fell for the first time since November 2015, which was partially driven by a reduction in new export sales. Some survey respondents mentioned weaker order flows from China when explaining the fall in international business.

Softer demand conditions led manufacturing firms to cut their purchasing activity midway through the first quarter. The contraction was the first for over four years and historically marked. The result was driven by declines in both the consumer and intermediate goods sub-sectors.

Amid fears regarding the spread of coronavirus, employment in the Vietnamese manufacturing sector fell in February. The

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Comment

Commenting on the latest survey results, Eliot Kerr, Economist at IHS Markit, said:

"Coronavirus has severely hampered the Vietnamese manufacturing sector in February, both on the demand and supply-side. Firstly, a combination of weaker export flows to China and rising domestic fears saw new business decline - the first reduction for over four years. Meanwhile, firms struggled to obtain essential inputs from China amid the disruption, putting upward pressure on input prices. This, coupled with weaker demand and the subsequent reduction to output charges, placed pressure on profit margins.

PMI® By IHS Markit

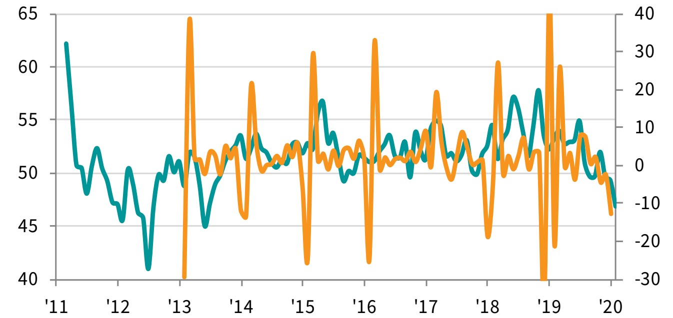
decrease was the first for four months and the fastest for over six-and-a-half years. Investment goods was the only monitored sub-sector to register an increase in staff numbers.

The coronavirus also adversely affected supply chains in the latest survey period. Vendor performance deteriorated to the greatest extent since June 2014. All three monitored sub-sectors saw slower delivery times.

On the cost front, shortages of necessary inputs led to a rise in cost burdens during February. Some panellists mentioned difficulties in obtaining Chinese goods. The rate of inflation was softer than that registering in January, however.

Despite rising input costs, subdued demand led firms to cut average output prices. The decline was the first for three months and modest overall. Investment goods was the only monitored sub-sector to record higher charges.

Finally, firms were optimistic towards the 12-month business outlook, supported by expectations for an improvement in demand. However, the degree of confidence weakened to the lowest in series history, dampened by fears of a prolonged impact from COVID-19.



Sources: IHS Markit, General Statistics Office of Vietnam.

Contact

Eliot Kerr
Economist
IHS Markit
T: +44 203 159 3381
eliot.kerr@ihsmarkit.com

Bernard Aw
Principal Economist
IHS Markit
T: +65 6922 4226
bernard.aw@ihsmarkit.com

Katherine Smith
Public Relations
IHS Markit
T: +1 781 301 9311
katherine.smith@ihsmarkit.com

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.

February 2020 data were collected 12-20 February 2020.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About IHS Markit

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.

ihsmarkit.com/products/pmi.html.

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