

Nikkei Vietnam Manufacturing PMI®

New order growth fastest in year-to-date

Key points:

- Sharper increases in output and new orders
- Business confidence at six-month high
- Employment falls for third time in past four months

Data collected May 13-22

Vietnamese manufacturers recorded another monthly improvement in business conditions during May, with growth of output and new orders picking up from April. Improving customer demand was reportedly central to the latest expansion, with higher output requirements leading to greater purchasing activity and the building up of input inventories.

On a less positive note, employment decreased for the third time in the past four months amid reports of worker resignations and retirements.

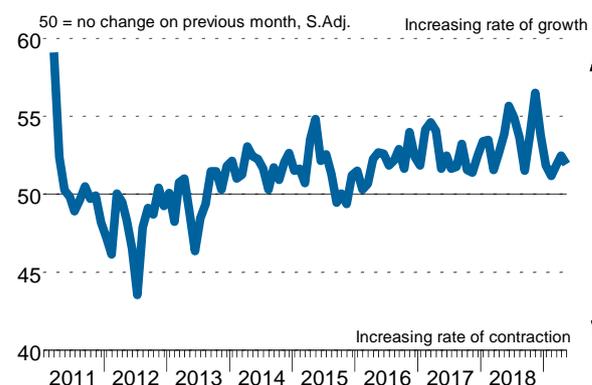
The headline Nikkei Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure indicator of manufacturing performance – posted 52.0 in May, down marginally from 52.5 in April but still representing an improvement in business conditions in the Vietnamese manufacturing sector.

The softer improvement in the health of the sector was recorded in spite of stronger increases in both output and new orders. The securing of new customers helped firms to register new order growth, with the rate of expansion the strongest in 2019 so far. New export orders also increased in May, and at a solid pace.

Rises in new orders, both from domestic and overseas clients, were reportedly behind the latest increase in manufacturing output. Growth has now been registered on a monthly basis throughout the past year-and-a-half.

The investment goods sector was the best-performing broad manufacturing category in May, posting the fastest expansions of output, new orders and new export orders.

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Sources: Nikkei, IHS Markit

The moderation in the headline figure principally reflected a drop in employment – the third in the past four months. Staffing levels fell marginally, with panellists mainly linking this to employee resignations and retirements.

Manufacturers increased their purchasing activity at a solid and accelerated pace in May as they responded to greater output requirements. The rise in input buying fed through to an accumulation of stocks of purchases, the second in as many months. Sufficient stock holdings at suppliers were also reported, helping lead to an improvement in delivery times.

Meanwhile, stocks of finished goods decreased in May, thereby ending a seven-month sequence of accumulation. Where post-production inventories fell, this was linked to the use of stocks to meet new orders.

The rate of input cost inflation ticked down and was slower than the series average. Where higher input prices were recorded, panellists mentioned increased costs of electricity, gasoline and oil. Relatively weak cost inflation and some reports of demand weakness in certain export markets meant that firms lowered their output prices slightly again in May. Charges have now decreased in six successive months.

Business confidence improved for the third month running to the highest since last November. Optimism regarding output growth reflected

expected increases in new orders and new product launches.

Comment:

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

“The demand side of the Vietnamese manufacturing sector remained rosy in May, with faster increases in output and new orders recorded. There appear to be issues around the supply of labour, however, with reports of resignations and retirements leading to reduced employment levels in spite of the aforementioned improvements in demand and output requirements. This led the PMI to tick lower, a picture which could be reversed in coming months should the demand side remain strong and firms be able to replace departed workers.”

-Ends-

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Notes to Editors:

The early June releases of May data from the Asia PMI series will be the final releases to carry Nikkei branding.

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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