

Embargoed until 0730 ICT (0030 UTC) 3 February 2020

IHS Markit Vietnam Manufacturing PMI®

New orders continue to rise solidly at start of 2020

Key findings

New business increases for fiftieth successive month

Modest reduction in output

Rate of job creation eases to fractional pace

The opening month of 2020 saw a modest improvement in business conditions in the Vietnamese manufacturing sector. New orders continued to rise at a moderate pace, but production dipped and staffing levels increased only fractionally. The rate of input cost inflation gathered pace but remained relatively muted, while output prices rose slightly for the second month running.

The Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) remained above the 50.0 neutral mark in January, posting 50.6 following a reading of 50.8 in December. The index signalled a further modest improvement in the health of the manufacturing sector at the start of 2020.

Supporting the overall improvement in business conditions was a further moderate rise in new orders. Respondents indicated that stronger customer demand had been behind the increase in new work, which was the fiftieth in as many months. Meanwhile, new export orders returned to growth following a slight reduction in December.

Although new orders continued to rise, manufacturing production ticked down in January. Output has now fallen in four of the past five months, but the pace of reduction remained marginal.

The combination of rising new orders and a scaling back of production led a number of firms to use stocks of finished goods to help meet new business requirements. As a result, post-production inventories decreased, and at the fastest pace in three months.

Despite this, firms still reported an increase in backlogs of work. The accumulation was the fifth in as many months, albeit only marginal.

Staffing levels rose at a fractional pace in January, with the rate

continued...

Vietnam Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

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

"There was further positive news in terms of manufacturing new orders in the latest Vietnam PMI, with the expansion taking the current sequence of growth to 50 months. Despite this, firms appear to be taking a step back from raising production at present, preferring to utilise inventories to help meet customer orders. This will likely change soon, however, should the upward trajectory of new business continue.

"The Vietnamese manufacturing sector looks set to be a star performer again in 2020, helping to support impressive growth in the wider economy. IHS Markit forecasts industrial production to rise 7.9% during 2020."

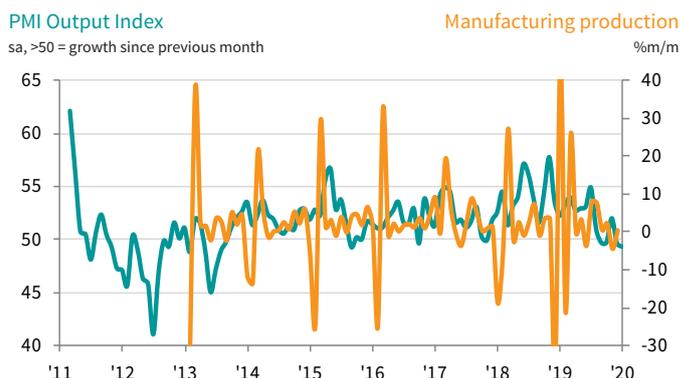
of job creation the weakest in the current three-month sequence of rising employment.

Manufacturers expanded their purchasing activity at a slightly faster pace in January. Despite the rise in input buying, stocks of purchases were broadly unchanged as some respondents restricted stock holdings in line with lower output requirements.

Input prices rose at the fastest pace for eight months, albeit one that was still relatively muted. Higher costs of imported goods and supply shortages were reportedly behind the latest increase. Issues in the supply of materials also contributed to a second successive lengthening of suppliers' delivery times, albeit one that was only fractional.

With input costs increasing, firms raised their output prices accordingly. Selling price inflation was recorded for the second month running, with the modest rise broadly in line with that seen in December.

Confidence in the 12-month outlook for production improved at the start of the year and was the highest for three months. Positive sentiment mainly reflected predictions of rising new orders and the launch of new products.



Sources: IHS Markit, General Statistics Office of Vietnam.

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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.

January 2020 data were collected 13-23 January 2020.

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

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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.