News Release

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IHS Markit
Vietnam Manufacturing PMI®

Sharpest rise in manufacturing output for eight months

Key findings

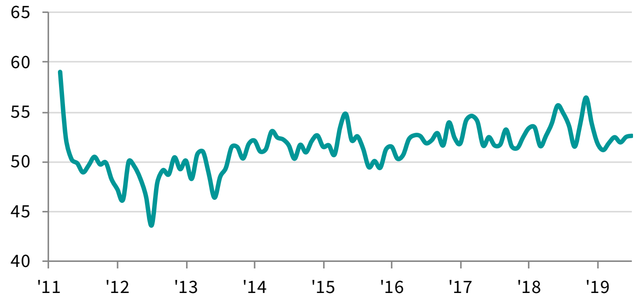
Faster growth of output and new orders

Output prices reduced again as cost pressures soften

Employment rises only slightly

Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

The Vietnamese manufacturing sector continued to perform well at the start of the third quarter of the year, recording further marked growth of new orders and production. The rate of job creation softened, however.

Input prices also increased at a weaker pace in July, with muted cost pressures helping feed through to another monthly reduction in selling prices.

The Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) ticked up to 52.6 in July from 52.5 in June. The reading signalled a further monthly improvement in business conditions, the forty-fourth in as many months.

Manufacturing production rose sharply in July, with the rate of expansion quickening for the third month running to the fastest since last November. Firms indicated that they were often able to follow production plans, with higher new orders also contributing to output growth.

New business rose at a solid pace that was the fastest in 2019 so far amid improving customer demand. The rate of expansion in new export orders softened to the joint-weakest in 44 months, however, amid trade tensions between the US and China.

Solid increases in new work added to pressure on capacity at Vietnamese manufacturers. Backlogs of work rose for the second month running. Firms responded to greater output requirements by taking on additional staff for the third time in four months. That said, the rate of job creation was only slight and weaker than that seen in June.

The rate of input cost inflation softened for the third successive month in July, with some panellists citing China as a source of falling prices. The latest increase in input prices was only slight and the weakest since March.

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Comment

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

"Latest PMI data for Vietnam point to ongoing success for Vietnamese manufacturers during July, with new business growth the fastest in the year-to-date. This was despite the joint-weakest rise in exports for 44 months as the US-China trade dispute hampers global trade flows. If anything, firms are not currently able to expand output quickly enough, as evidenced by a second successive rise in backlogs of work.

"Should the PMI remain around the current level for the rest of the quarter, PMI-based estimates suggest that manufacturing output will be set for further double-digit year-on-year growth in the third quarter of 2019."

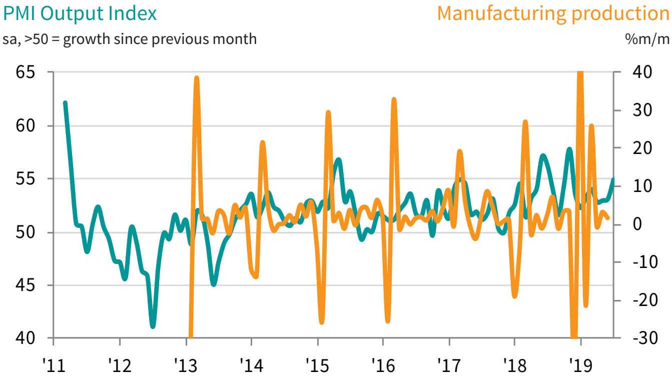
PMI® By IHS Markit

Relatively soft cost pressures enabled manufacturers to maintain competitive pricing policies at the start of the third quarter, with selling prices reduced for the eighth month running. That said, the rate of decline was only marginal.

Expectations of higher new orders over the next 12 months resulted in continued optimism among manufacturers that production will expand over the coming year. Sentiment picked up from the previous month, with over half of all respondents optimistic regarding the 12-month outlook.

Confidence in the near-term outlook, alongside increases in current workloads, encouraged firms to expand their purchasing activity in July. Input buying rose sharply, and at a broadly similar pace to the previous month. Despite the strong increase in purchasing, pre-production inventories were broadly unchanged as inputs were used to support production. Meanwhile, stocks of finished goods increased slightly, ending a two-month sequence of depletion.

Finally, suppliers' delivery times improved for the third month running in July, albeit only marginally and to the weakest extent in the current sequence of shortening lead times.



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.

July 2019 data were collected 12-23 July 2019.

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

About IHS Markit

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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.