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# IHS Markit Vietnam Manufacturing PMI®

## New order growth quickens to 20-month high

### Key findings

Faster expansions in output, new orders and exports

Business confidence highest since July 2019

Sharpest increase in output prices in just over four years

Data were collected 12-23 March 2021.

Growth gathered pace in the Vietnamese manufacturing sector at the end of the first quarter. Marked increases in output, new orders and exports were recorded, leading to stronger rises in employment and purchasing activity. Meanwhile, business confidence surged to a 20-month high.

On a less positive note, disruption to supply chains continued to affect the sector and led inflationary pressures to strengthen. Input costs and output prices rose at the fastest rates in just over three and four years respectively.

The Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) rose to 53.6 in March, up from 51.6 in February and signalling a solid improvement in the health of the manufacturing sector. In fact, business conditions strengthened to the greatest extent in 27 months.

Signs of improving customer demand and success in keeping the coronavirus disease 2019 (COVID-19) pandemic under control helped to support rises in new orders and output in March.

New business increased for the seventh successive month, and at the fastest pace since July 2019. In some cases, clients had expanded their order sizes over the month. There were also signs of improvement in international demand conditions, helping lead to the greatest increase in new business from abroad since November 2018.

Production, meanwhile, rose at a much faster pace than in February, with the rate of growth hitting a 20-month high. Output was up across all three broad sectors, with consumer goods firms leading the expansion.

Higher new orders and expanded production requirements encouraged Vietnamese manufacturers to increase their staffing levels and purchasing activity during March.

Employment rose at a modest pace, but one that was nonetheless

*continued...*

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



Source: IHS Markit.

### Comment

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

*"The Vietnamese manufacturing sector saw growth step up a level in March, with production rising at the fastest pace in 20 months according to the latest PMI data. Based on the historical relationship between the PMI and official numbers, the latest figures suggest manufacturing production secured double-digit growth year-on-year in the first quarter.*

*"Particularly encouraging in the latest set of figures was the strength in export orders as international demand shows signs of improvement. Hopes that these trends will continue and that the COVID-19 pandemic will come to an end supported the greatest business confidence since mid-2019. The sector therefore looks well set to make further progress in the second quarter."*

the strongest since June 2019. Similarly, input buying increased to the greatest extent in 20 months.

Difficulties sourcing raw materials remained, with suppliers' delivery times continuing to lengthen. Issues with the importing of items, material shortages and a lack of shipping containers all contributed to longer lead times. That said, vendor performance declined to the least extent in four months and firms were able to expand their stocks of purchases.

Stocks of finished goods also rose, due to a combination of higher production and issues with the delivery of orders.

Shortages of raw materials, often due to the COVID-19 pandemic, led to a sharp and accelerated increase in input costs during March. In particular, higher steel prices and increased costs for items sourced from China were mentioned. The latest rise was the fastest in just over three years.

Output prices, meanwhile, were raised at the sharpest pace in just over four years as manufacturers passed on higher input costs to their customers.

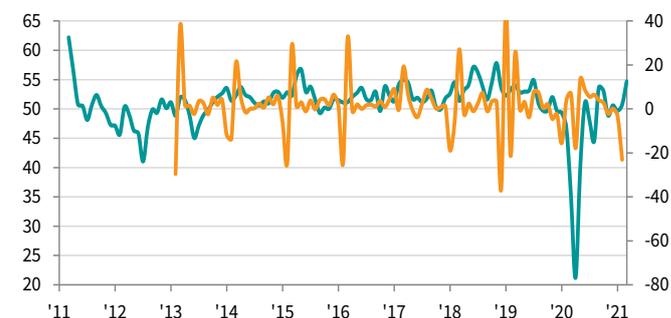
Hopes that the COVID-19 pandemic will come to an end and demand will improve supported confidence in the 12-month outlook for production. Furthermore, sentiment was the highest since July 2019, with close to half of all respondents optimistic regarding the prospects for output.

## Vietnam Manufacturing PMI Output Index

sa, >50 = growth since previous month

## Manufacturing production

%m/m, nsa



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.

March data were collected 12-23 March 2021.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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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.

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