

Nikkei Vietnam Manufacturing PMI®

Stronger demand spurs production growth and job creation in October

Key points:

- Marked and accelerated upturn in factory orders
- Output growth at three-month high
- Jobs expand at above-average rate

Data collected October 12-23

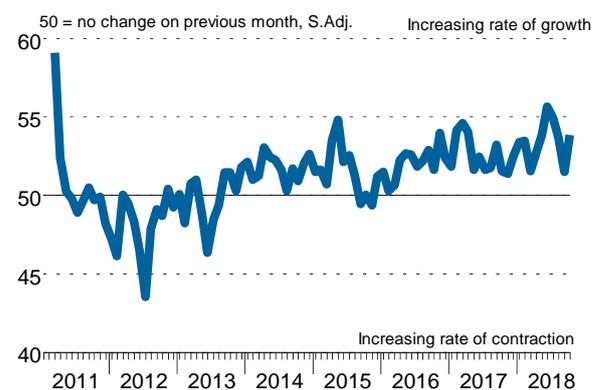
The Vietnamese manufacturing industry moved up a gear in October, with growth of production, headcounts and input purchasing gathering pace on the back of a robust and accelerated increase in new work. At the same time, the rate of input cost inflation softened to the weakest since July 2017 and charges were lowered for the second month in a row.

Climbing from a ten-month low of 51.5 in September to 53.9 in October, the headline Nikkei Vietnam Manufacturing *Purchasing Managers' Index*TM (PMI®) – a composite single-figure indicator of manufacturing performance – pointed to the strongest improvement in the health of the sector since July. All five sub-components of the PMI contributed to the upward movement recorded at the start of the final quarter of 2018.

New business increased markedly and at a quicker pace than in September, supported by favourable demand conditions internally and externally. Indeed, new export orders rose at the fastest rate in three months as companies benefited from expansion into new markets and greater client bases. Subsequently, manufacturers scaled up production for the eleventh month running, with growth the sharpest since July.

Despite the uptick in sales, manufacturers were able to keep on top of their workloads, as highlighted by a further decline in unfinished business. One factor that supported the depletion of backlogs was the hiring of additional workers. Not only did employment expand for the thirty-first month running, but also to the greatest extent since July. According to survey participants, job creation was underpinned by new product lines and robust demand conditions.

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Sources: Nikkei, IHS Markit

Vietnamese manufacturers also stepped up their outlays on raw materials and semi-finished products, with input purchasing expanding solidly and at a quicker pace than seen in September. Strong demand for materials exerted some pressure on supply chains as highlighted by a renewed increase in vendor delivery times.

The upturn in quantities of purchases aided companies in their stock building initiatives. Holdings of inputs increased markedly in October, with the pace of accumulation the quickest since the survey started in March 2011. Similarly, inventories of finished goods rose solidly and at the quickest pace in almost three-and-a-half years.

Although input costs continued to increase, the rate of inflation moderated to the weakest in 15 months, encouraging some producers to lower their charges and others to keep selling prices unchanged. Across the manufacturing economy, charges fell for the second straight month, albeit marginally.

Manufacturers in Vietnam expect product diversification, robust demand conditions and set targets to boost production in the coming 12 months. That said, the overall level of positive sentiment fell in October and was below the series average.

Comment:

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

“Vietnamese manufacturers allayed fears of a protracted slowdown across the sector, with stronger rises in output, new orders and employment all recorded in October. The success of firms in continuing to secure greater volumes of new work despite signs of weakening global demand stands them in good stead as the year draws to a close.”

-Ends-

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For further information, please contact:

IHS Markit (About PMI and its comment)

Andrew Harker, Associate Director
Telephone +44 1491 461 016
Email andrew.harker@ihsmarkit.com

Jerrine Chia, Marketing and Communications
Telephone +65 6922-4239
E-mail jerrine.chia@ihsmarkit.com

Bernard Aw, Principal Economist
Telephone +65 6922 4226
E-mail bernard.aw@ihsmarkit.com

Nikkei inc. (About Nikkei)

Ken Chiba, Deputy General Manager, Public Relations Office
Atsushi Kubota, Manager, Public Relations Office
Telephone +81 3 6256 7115
Email koho@nex.nikkei.co.jp

Notes to Editors:

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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