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IHS Markit Vietnam Manufacturing PMI®

Downturn in Vietnamese manufacturing sector intensifies

Key findings

Severe declines in output and new orders

Firms pessimistic towards the 12-month outlook

Employment down at record pace

Data were collected 07-22 April 2020.

April data pointed to an intensification of the downturn in the Vietnamese manufacturing sector as a result of the coronavirus disease 2019 (COVID-19) pandemic. The extent of the decline was unprecedented in more than nine years of data collection.

Record falls were seen in output, new orders, employment and purchasing amid company shutdowns and the cancellation of orders. Meanwhile, business sentiment turned negative for the first time since the survey began.

The Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) posted 32.7 in April, well down on the reading of 41.9 seen in March which itself had signalled a record monthly deterioration in the health of the sector. Business conditions have now worsened in each of the past three months.

The impact of COVID-19 was most keenly felt with respect to manufacturing production and new orders. Both fell severely during April amid order cancellations and company closures. The decline in overall new business was outpaced by that seen for new export orders, reflecting the effects of the virus in markets all around the world.

Approximately two-thirds of respondents signalled that output decreased during the month. As such, declines were registered across each of the three broad sectors covered by the survey, led by intermediate goods firms.

A lack of new orders fed through to a steep reduction in backlogs of work. Lower workloads led manufacturers to reduce staffing levels, while there were also some reports of employees having resigned. The resulting decrease in employment was the sharpest on record, the second month running in which a new low has been registered.

Purchasing activity also decreased at a substantial pace, linked to lower new orders, a reduction in production requirements

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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 latest Vietnam manufacturing PMI report highlights the devastating impact that the COVID-19 pandemic and efforts to restrict its spread have had on the Vietnamese manufacturing sector. April saw an unprecedented decline in the sector, led by severe contractions in output and new orders. Whether April proves to be the nadir of the downturn will depend on how firms and their customers respond to an easing of the lockdown and reopening of businesses that have been closed temporarily."

and company closures. As a result, stocks of purchases declined sharply. Stocks of finished goods also fell, albeit to a lesser extent than in March.

Meanwhile, difficulties obtaining imported goods, material shortages and issues travelling meant that suppliers' delivery times lengthened to the greatest extent since the survey began in March 2011.

Input prices decreased for the first time in 16 months during April, and at a marked pace that was the fastest since September 2015. Panellists linked the fall in input costs to a lack of demand for inputs and lower oil prices.

With input costs falling, manufacturers continued to lower their output prices, extending the current sequence of decline to three months. The latest reduction was sharp and the joint-fastest in the survey's history, equal with that seen in June 2012.

For the first time in the series so far, firms were pessimistic regarding the outlook for production over the coming year. Sentiment dropped amid fears that the impact of the COVID-19 pandemic could last for a prolonged period. Around 40% of respondents signalled a negative outlook in April.



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.

April data were collected 07-22 April 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.

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