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IHS Markit Vietnam Manufacturing PMI®

Production rises at fastest pace since November 2018 amid sharp new order growth

Key findings

Accelerated rises in output and new orders

Backlogs of work tick higher despite further job creation

Sharpest increase in selling prices for almost a decade

Data were collected 12-22 April 2021.

The pace of expansion in the Vietnamese manufacturing sector moved up a gear in April. Production and new orders rose at sharper rates, with firms responding by upping their rate of job creation and ramping up purchasing.

Input costs continued to rise sharply, feeding through to the fastest increase in selling prices in close to a decade. There were some signs, however, that supply-chain disruption had started to ease during the month.

The Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) rose for the third month running, posting 54.7 in April following a reading of 53.6 in March. The latest figure pointed to a marked improvement in operating conditions in the manufacturing sector, and one that was the strongest since November 2018.

The sector was boosted in April by signs that customers were willing to commit to larger orders than previously, given general improvements in demand and control over the COVID-19 pandemic. Total new orders increased for the eighth month running, and at the fastest pace in close to two-and-a-half years. New export orders also continued to rise amid an improving international demand climate.

Higher new orders fed through to a similarly-sized expansion of manufacturing output, with production also up at the fastest pace since November 2018. Consumer goods firms posted the sharpest rise in output of the three broad categories covered.

Firms were aided in their efforts to boost production by increasing workforce numbers. Staffing levels were expanded for the third month running, and to the greatest extent since December 2018. This increased capacity, however, was not sufficient to prevent a first rise in backlogs of work in 15 months due to the strength of new order growth.

As well as raising staffing levels, firms also posted a sharp and accelerated expansion of purchasing activity. Respondents

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 hit the ground running at the start of Q2, according to the latest PMI survey. Output and new orders each rose to the greatest extent since late-2018, and there were encouraging reports that customers were often happy to place larger orders amid greater confidence in the sustainability of the current expansion. Likewise, manufacturers also ramped up their own buying activity and raised inventories to help prepare for further increases in output in the months ahead."

"Inflationary pressures remained elevated, with output prices increasing at the fastest pace for almost a decade. There were some signs, however, that the severity of the difficulties in supply chains may be easing, which will hopefully reduce some of the upward pressure on prices."

indicated that the increase in input buying was both in response to higher new orders and as part of efforts to build reserves to support production growth in the months ahead.

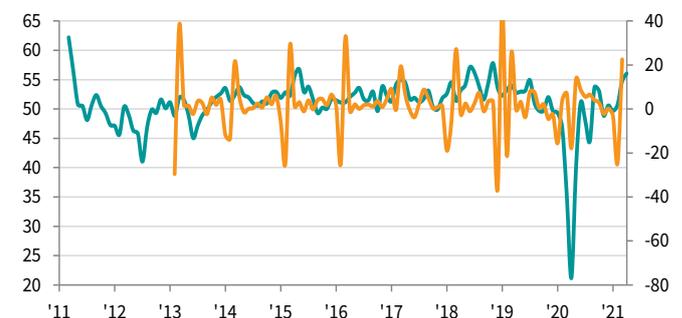
Efforts to expand inventory holdings were generally successful in April, with both stocks of purchases and finished goods increasing. In both cases, the rate of accumulation was solid and faster than at the end of the first quarter.

There were some signs that recent severe disruption to supply chains eased in April. While suppliers' delivery times continued to lengthen, the latest deterioration in vendor performance was modest and the softest since last September. Where lead times did lengthen, there were ongoing reports of raw material shortages and global shipping difficulties.

Supply shortages and rising shipping costs continued to feed through to higher input prices. The rate of cost inflation remained substantial and was only slightly slower than that seen in March. In turn, firms raised their selling prices sharply, with the rate of inflation quickening to the fastest for close to a decade.

Expectations that the COVID-19 pandemic will remain under control leading to higher demand, and the introduction of new product lines, supported ongoing confidence among firms regarding the 12-month outlook for production.

Vietnam Manufacturing PMI Output Index Manufacturing production
 sa, >50 = growth since previous month %m/m, nsa



Sources: IHS Markit, General Statistics Office of Vietnam.

Contact

Andrew Harker
 Economics Director
 IHS Markit
 T: +44 1491 461 016
andrew.harker@ihsmarkit.com

Joanna Vickers
 Corporate Communications
 IHS Markit
 T: +44 207 260 2234
joanna.vickers@ihsmarkit.com

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 12-22 April 2021.

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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