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IHS Markit Vietnam Manufacturing PMI®

New orders continue to rise, but output broadly unchanged

Key findings

Little change to output, employment or purchasing

Supply-chain disruption among most pronounced in past decade

Cost inflation at 31-month high

Data were collected 12-21 January 2021.

Although business conditions in the Vietnamese manufacturing sector improved at the start of 2021, growth was softer than at the end of 2020. Production, employment and purchasing activity were all broadly unchanged in January, while new orders increased at a slower rate.

Meanwhile, a lack of shipping containers and raw material shortages meant severe supply-chain disruption, which in turn contributed to the fastest rise in input costs since June 2018.

The Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) posted 51.3 in January, down from 51.7 in December to signal a softer improvement in business conditions at the start of 2021.

New orders continued to rise, extending the current sequence of expansion to five months. There were some reports of customers increasing the size of their orders. That said, the rate of growth eased from December. Meanwhile, new export orders were broadly unchanged, with weakness noted in markets where coronavirus disease 2019 (COVID-19) case numbers remained elevated.

January saw a broadly stable picture for manufacturing production. While the rise in new orders supported increases in output at some firms, others reported that the effects of the COVID-19 pandemic continued to lead to falls in production.

The aforementioned increases in size of some orders started to impart pressure on capacity during January. Although backlogs of work decreased for the twelfth successive month, the rate of depletion was the softest in this sequence.

Manufacturers kept their workforce numbers broadly unchanged, following a rise in December. Some firms raised employment in response to higher new orders, while others noted a reduction amid the pandemic and staff resignations. Purchasing activity was also little-changed.

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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 Vietnamese manufacturing sector struggled to gain momentum at the start of 2021, as the ongoing effects of the COVID-19 pandemic and substantial disruption to supply chains hampered operations. The data suggest that while the Vietnamese economy remains one of the better performers globally, there are significant headwinds that could prevent a return to the stellar growth rates seen pre-pandemic in the near-term at least."

Efforts to secure inputs were stymied by severe disruption to supply chains again in January. In fact, the extent of the latest lengthening of delivery times was the greatest for almost a decade, except for during the worst of the COVID-19 lockdowns in March and April last year. Firms often reported a lack of shipping containers, as well as shortages of raw materials.

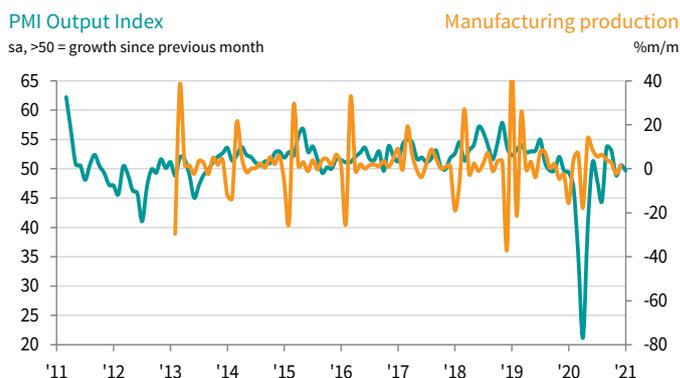
Issues with shipping and raw material supply added to inflationary pressures. The rate of input cost inflation quickened for the fifth month running and was the fastest since June 2018.

Output prices, meanwhile, increased for the fifth successive month, albeit at a modest pace that was much weaker than that seen for input costs.

Efforts to guard against raw material price rises led firms to increase their stocks of purchases, the second month running in which this has been the case.

On the other hand, stocks of finished goods decreased, and to the greatest extent in five months.

Although manufacturers remained confident regarding the 12-month outlook, sentiment dipped to a five-month low amid concerns about the ongoing effects of COVID-19. Where firms were optimistic, this reflected hopes for a reduced pandemic impact and plans for investment and production expansions.



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.

January data were collected 12-21 January 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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