

News Release

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S&P Global Vietnam Manufacturing PMI[®]

Output and employment return to growth as COVID-19 cases fall

Key findings

Reduced pandemic disruption seen in April

Renewed increases in staffing levels and production

New order growth softens

Output returned to growth in the Vietnamese manufacturing sector in April as the recent wave of COVID-19 infections subsided and firms were able to take on additional staff and expand production. That said, the rate of growth in new business softened as some customers were deterred by sharp price rises. Supply-chain issues also limited the pace of expansion, with difficulties sourcing materials from Mainland China widely mentioned amid the imposition of COVID-19 restrictions.

The Vietnam Manufacturing Purchasing Managers' Index™ (PMI[®]) was unchanged at 51.7 in April as business conditions improved overall for the seventh successive month.

Both output and employment returned to growth in April, after having dropped during March. In both cases, firms benefited from falls in COVID-19 case numbers following the peak of the latest wave in March. The improved pandemic situation enabled employees to return to work, while there were also widespread reports of recruitment. In fact, the rate of job creation was the fastest for a year.

Rising capacity helped firms to expand output and take advantage of strengthening customer demand. Output increased for the sixth time in the past seven months.

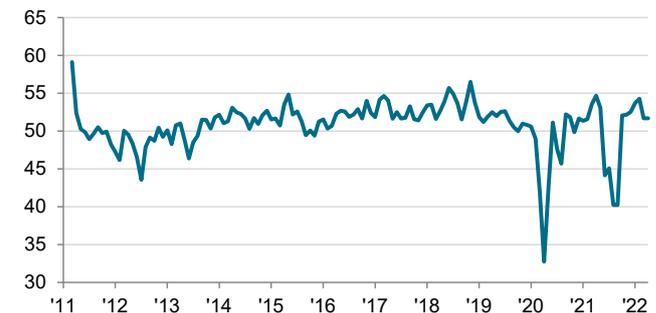
While new orders continued to expand in April, the rate of growth eased to the softest in the current seven-month sequence of expansion. Price rises and material shortages acted to limit the pace of increase, according to respondents. A similar picture was evident with regards to new export orders, where growth also slowed. In the case of exports, COVID-19 restrictions in Mainland China were partly behind the easing in the rate of expansion.

Softer new order growth and higher staffing levels meant that firms were able to keep on top of workloads and reduce backlogs for the first time in three months.

Input costs continued to increase sharply, with the rate of

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 11-21 April 2022.

Comment

Andrew Harker, Economics Director at S&P Global, said:

"The rapid decline in COVID-19 cases in Vietnam helped lead to renewed growth of output and employment in April amid a return to more normal business conditions. This provides hope that the sector can now see a sustained period of recovery and expansion."

"Particularly encouraging was that firms reported the fastest rise in employment for a year due to a combination of new hiring and workers returning to factories as the pandemic situation improved, an issue that has heavily impacted capacity across the sector in recent months."

"There are still a range of headwinds limiting the pace of expansion, however, most notably the continued pandemic difficulties in Mainland China and ongoing sharp price rises. These issues affected both supply and demand at the start of the second quarter and will likely restrict growth in the months ahead."

PMI[™]

by S&P Global

inflation the second-fastest in 11 years. Most widely reported as having risen in price were freight, gas, oil and petrol. In turn, manufacturers increased their own selling prices rapidly, and at the fastest pace in five months.

Suppliers' delivery times continued to lengthen, with COVID-19 restrictions in Mainland China and the war in Ukraine affecting the ability of firms to secure inputs. That said, the degree to which lead times lengthened was the least marked for a year as the pandemic situation in Vietnam improved.

Material supply issues contributed to a fall in stocks of purchases for the first time in four months during April, with lower pre-production inventories recorded in spite of a seventh successive increase in purchasing activity. In fact, input buying rose at a faster pace than in March, with respondents attributing the increase to rising new orders.

Stocks of finished goods also fell, with panellists linking the decline to a combination of the use of inventories to support sales requirements and limits to production due to material shortages.

Finally, business confidence ticked higher at the start of the second quarter and was above the series average. The recent improvement in the pandemic situation in Vietnam and hopes that COVID-19 will be kept under control were often behind positive expectations, while firms also expect demand to strengthen and supply constraints to ease.

PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global.

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Survey methodology

The S&P Global Vietnam Manufacturing PMI® is compiled by S&P Global from responses to 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. Data collection began in March 2011.

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.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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