

Embargoed until 0730 ICT (0030 UTC) 2 August 2021

# IHS Markit Vietnam Manufacturing PMI®

## Steep decline in output amid COVID-19 outbreak

### Key findings

Production down at fastest pace since April 2020

Most marked lengthening of suppliers' delivery times on record

Input cost inflation strongest in over a decade

Data were collected 12-22 July 2021.

The current wave of the COVID-19 pandemic in Vietnam led to further disruption across the manufacturing sector during July. Rates of decline in output and new orders quickened from the previous month and employment was down sharply amid reports of temporary company closures and social distancing restrictions.

Meanwhile, disruption was also felt in supply chains, with delivery times lengthening to the greatest extent in more than ten years of data collection. The rate of input cost inflation accelerated sharply, but efforts to secure orders meant that firms raised their selling prices at a relatively modest pace.

The Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) ticked up to 45.1 in July from June's reading of 44.1. That said, the latest figure signalled a marked deterioration in business conditions across the sector for the second month in a row.

Anecdotal evidence from manufacturers highlighted the impact that the latest COVID-19 outbreak has had on operations. Some firms have been forced to close temporarily, while others are having to operate with reduced capacity due to social distancing measures.

These effects, alongside a marked drop in new orders, resulted in a further sharp reduction in manufacturing production at the start of the third quarter. The decline in output was softer only than those seen following the initial outbreak of the COVID-19 pandemic in March and April last year.

Alongside lower total new orders, new business from abroad was also down. That said, the reduction in exports was softer than that seen for total new business amid some reports of improving demand in international markets.

Lower workloads, temporary closures and limits on staff numbers due to social distancing requirements meant that

*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 current wave of the COVID-19 pandemic is having a severe impact on Vietnamese manufacturers, according to the latest PMI data, with company closures and social distancing contributing to a steep drop off in production. Rules are also limiting how many staff members can be on site at any time, further disrupting production lines.*

*"Added to issues with new orders and production, firms are also facing severe supply-chain disruption. Supplier lead times lengthened to an even greater extent than after the initial outbreak of the pandemic last year and price pressures surged.*

*"The sector is likely to remain under pressure and struggle to generate growth until the outbreak can be brought under control, so it will be important to keep watching the COVID-19 case numbers for signs of improvement."*

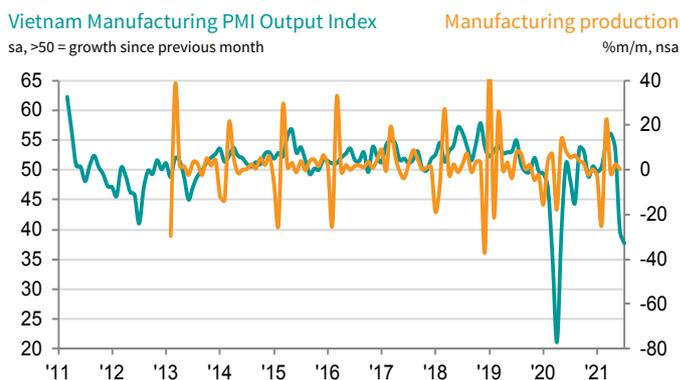
employment decreased markedly for the second month running. While disruption to operations led backlogs of work to build up at some firms, this was outweighed by a sharp drop in new orders. Overall, outstanding business decreased moderately.

Severe disruption to supply chains was noted in July, with the extent of delivery delays the most marked since the survey began more than a decade ago. Panellists linked longer lead times to difficulties with transportation both domestically and internationally due to the pandemic, as well as raw material shortages.

Manufacturers were also faced with surging input costs. The rate of input price inflation accelerated to the fastest since April 2011. Higher costs for raw materials such as iron and steel, products imported from China and freight charges were all reported by respondents.

While some firms passed on these higher cost burdens to clients, others were reluctant to do so given a weak demand environment. As a result, the rate of output price inflation was much softer than that seen for input costs, suggesting pressure on profit margins.

Concerns around the ongoing impact of the pandemic meant that business confidence remained below the series average in July, although firms remained optimistic overall of output growth over the coming year.



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.

July data were collected 12-22 July 2021.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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### About PMI

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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