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IHS Markit Vietnam Manufacturing PMI®

Employment rises for first time in seven months as demand improves

Key findings

Solid increases in output and new orders

Slight rise in employment ends six months of decline

Inflationary pressures and supply-chain disruption show signs of easing

Data were collected 06-15 December 2021.

The Vietnamese manufacturing sector continued to grow at a solid pace at the end of 2021, and saw job creation resume following a sustained period of falling employment. Cost inflationary pressures remained marked, but eased notably since November, in part reflecting signs that supply-chain delays were becoming less pronounced.

The Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) posted 52.5 in December, up from 52.2 in November and signalling a third successive monthly improvement in business conditions. Moreover, the solid strengthening in the health of the sector was the most marked since May.

A further solid increase in new orders was recorded at the end of the year, with the rate of growth broadly in line with that seen in November. The improvements in customer demand seen since the lifting of COVID-19 restrictions at the start of the final quarter of the year continued to fuel expansions in new business. New export orders also rose, with the rate of increase quickening to an eight-month high.

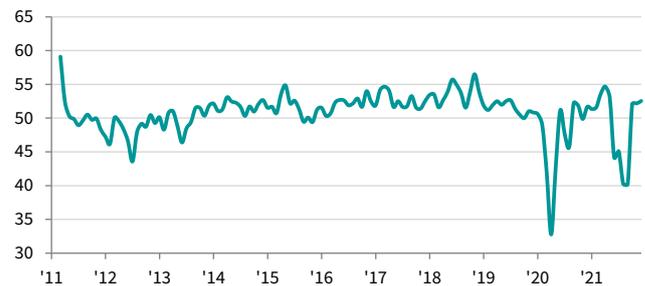
The rise in new orders supported a further expansion in manufacturing output, although the rate of growth slowed amid ongoing pandemic-related disruption.

There was positive news on the employment front at the end of the year as job creation resumed following six months of declining staffing levels. Higher output requirements and efforts to rebuild workforces following the recent wave of the COVID-19 pandemic were behind the increase. The rise in employment was only marginal, however, with some firms continuing to report that workers had returned to their hometowns and therefore weren't available.

Continued signs of labour shortages and new order growth combined to result in a further accumulation in backlogs of work. Outstanding business was up for the fourth month

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 ended 2021 in a steady growth phase. Client demand continued to improve in December, but the ongoing circulation of the COVID-19 pandemic is likely restricting the pace of the recovery. One positive from the latest PMI survey was that firms were finally able to start rebuilding workforces, albeit marginally, overcoming some of the difficulties attracting staff back to work following the recent wave of infections. While firms were generally confident about the outlook for output in 2022, the new Omicron variant adds a further layer of uncertainty for the months ahead."

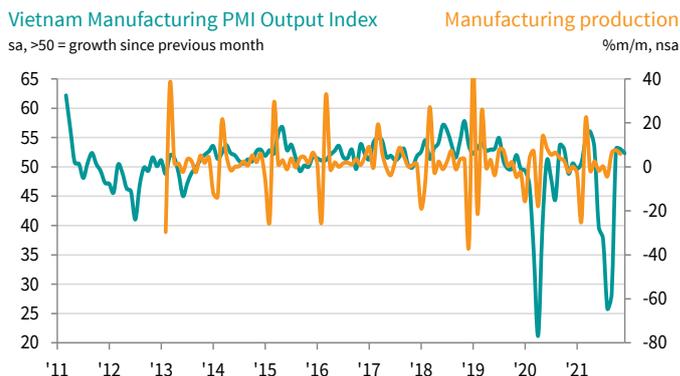
running, albeit at the slowest pace in this sequence.

A sharp and accelerated increase in purchasing activity was recorded in December as firms ramped up input buying in response to higher new orders and to attempt to build reserves. Stocks of purchases continued to fall slightly, however, as inputs were largely used to support production.

Manufacturers continued to face delays in the delivery of inputs, but the rate at which lead times lengthened eased for the third successive month and was the weakest since April. There were some reports that the transportation situation was beginning to normalise, but raw material shortages and shipping delays continued to hamper efforts to secure inputs.

Material shortages led to ongoing increases in input prices, while higher costs for oil and freight were also mentioned by panellists. That said, the rate of input price inflation eased from that seen in November. Output prices also rose at a softer pace, albeit one that was still well above the series average.

Firms remained optimistic that output will increase over the coming year, with sentiment ticking up since November on hopes that the COVID-19 pandemic will be brought under control over the course of 2022 and demand will strengthen. That said, a number of respondents highlighted the unpredictable nature of conditions at present.



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.

December data were collected 06-15 December 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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