News Release

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Nikkei Vietnam Manufacturing PMI®

PMI at 35-month low as employment declines

Key points:

- First reduction in staffing levels since March 2016
- Growth of output and new orders picks up, but remains relatively muted
- Output prices fall for fifth time in past six months

Data collected February 12-20

The Vietnamese manufacturing sector remained in a softer growth phase in February. Although rates of expansion in output and new orders ticked up from the start of the year, firms reduced employment for the first time in almost three years and overall conditions improved to a lesser extent than in January. The latest month saw a continued lack of inflationary pressure in the sector.

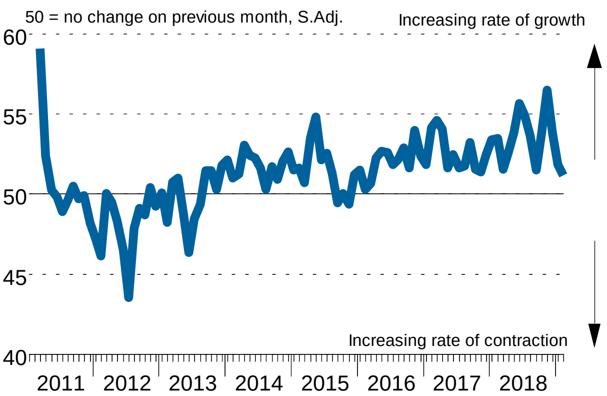
The headline Nikkei Vietnam Manufacturing *Purchasing Managers' Index™ (PMI®)* – a composite single-figure indicator of manufacturing performance – posted 51.2 in February, down from 51.9 in January. Although remaining above the 50.0 no-change mark, the index has now fallen for three months in a row, with February's reading the lowest since March 2016.

While both output and new orders rose at sharper rates in February, the headline index was pulled down by reductions in employment and stocks of purchases.

The decline in staffing levels was the first in almost three years as manufacturers responded to relatively weak new order growth in recent months. The reduction represented a marked turnaround from a record pace of job creation in November 2018.

Although new orders continued to rise, and at a faster pace than in January, the latest expansion was much slower than those seen towards the end of 2018. The rate of expansion in new export orders, meanwhile, eased to a 37-month low.

Nikkei Vietnam Manufacturing PMI



Sources: Nikkei, IHS Markit

Production growth quickened in February and was solid, but the latest rise was below the average seen across 2018. Where output increased, panellists reported that customer demand had improved.

Despite cutting back on staffing levels, Vietnamese manufacturers were again able to reduce their backlogs of work as new order growth remained relatively weak. In fact, outstanding business decreased to the greatest extent in almost a year.

Stocks of purchases fell for the first time in 11 months, in spite of continued growth of purchasing activity. Stocks of finished goods increased, albeit to the least extent in the current five-month sequence of accumulation. Some panellists reported raising inventory holdings in line with expectations of further new order growth, but others indicated that softer rises in new work in recent months had led to an accumulation of unsold products.

Manufacturers registered a slight rise in input costs for the second month running in February, with the rate of inflation well below the series average. With cost burdens increasing only modestly, there remained a lack of pressure on firms to raise selling prices. Output prices were lowered for the fifth time in the past six months as part of efforts to attract new business in a softer demand environment.

Manufacturers remained optimistic that output will increase over the coming year, with confidence fuelled by expected improvements in market demand and new order growth. That said, sentiment eased to a four-month low and was below the series average.

Comment:

Commenting on the Vietnamese Manufacturing PMI survey data, **Andrew Harker,** Associate Director at IHS Markit, which compiles the survey, said**:**

"International demand weakness held back the Vietnamese manufacturing sector in February. New export orders rose at the slowest pace in over three years and signs of softening demand led firms to scale back employment. The sector remained in growth territory, however, with Vietnamese manufacturers able to secure greater volumes of new work despite current challenges."

-Ends-

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Notes to Editors:

The Nikkei Vietnam Manufacturing *PMI*® is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by GDP and company workforce size. The manufacturing sector is divided into the following 8 broad categories: Basic Metals, Chemicals & Plastics, Electrical & Optical, Food & Drink, Mechanical Engineering, Textiles & Clothing, Timber & Paper, Transport.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Nikkei Vietnam Manufacturing *PMI*® is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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