

## Nikkei Vietnam Manufacturing PMI®

### New order growth remains strong in August

#### Key points:

- New business rises sharply, but output expands at weaker pace
- Inflationary pressures ease
- Firms increase inventories in anticipation of future output growth

Data collected August 13-22

The Vietnamese manufacturing sector continued to grow solidly during August, supported by a further sharp increase in new orders. There were some signs of rates of expansion easing, however, with output and employment rising more slowly than in July. Meanwhile, confidence dropped sharply and was the lowest in the series so far. On the price front, both input costs and output prices increased at weaker rates.

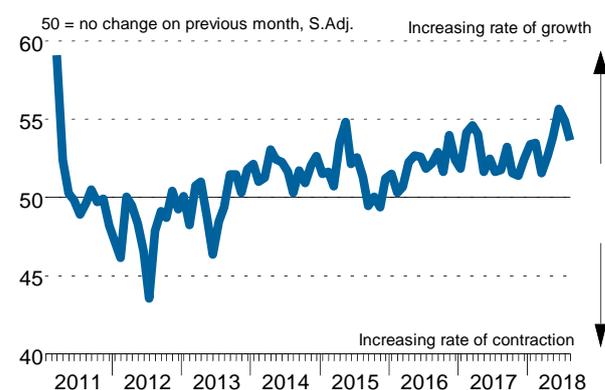
The headline Nikkei Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure indicator of manufacturing performance – posted 53.7 in August, signalling a further solid improvement in business conditions. The health of the sector has now strengthened in 33 successive months. That said, the latest reading was down from 54.9 in July and pointed to the weakest improvement in operating conditions in four months.

Vietnamese manufacturers continued to record growth of new orders during August. Although the rate of expansion eased, it remained sharp amid reports of improving client demand. New export orders also rose again over the month, but to a lesser extent than total new business. Meanwhile, backlogs of work decreased marginally for the third month running.

Continued strong growth of new orders resulted in a further monthly increase in manufacturing production. August's rise in output was solid, albeit the slowest since April.

A slowdown in employment growth was also registered, with the rate of job creation in August much weaker than June's record high. Where staffing levels increased, this was linked by panellists to rising workloads. Employment has

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Sources: Nikkei, IHS Markit

risen continuously on a monthly basis for almost two-and-a-half years.

The rate of expansion in purchasing activity remained strong in August as firms responded to higher new orders and planned for future growth of production. Efforts to build inventories were generally successful. Stocks of purchases rose for the fifth month running, and at the fastest pace since February. Stocks of finished goods also increased, and for the second consecutive month.

Input prices continued to rise sharply, albeit at a reduced rate. Where input costs increased, this was linked to higher raw material prices and a depreciation of the Vietnamese dong against the US dollar. Rising input costs fed through to an increase in output prices. That said, the rate of inflation eased to a three-month low amid competitive pressures.

A lack of raw materials contributed to longer suppliers' delivery times in August, following no change in lead times in the previous month.

Despite remaining optimistic overall, Vietnamese manufacturers recorded a marked drop in confidence during August, with sentiment the lowest since the series began in April 2012. According to respondents, positive sentiment reflected expectations of improving demand and higher new orders.

## Comment:

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

*“Although seeing a slowdown in growth of output in August, the Vietnamese manufacturing sector appears to be on a sound footing at present thanks to an ability to continue to secure strong inflows of new work. That said, business confidence dropped the lowest since the series began in early-2012 suggesting that concerns around global trade flows may start to impact Vietnamese firms over the coming months.”*

-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](mailto:economics@ihsmarkit.com).

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