Nikkei Vietnam Manufacturing PMI®

PMI at four-month high as employment rises

Key points:

- First increase in staffing levels for three months
- New orders continue to rise solidly
- Cost inflation at five-month high

Data collected April 10-18

Growth was maintained in the Vietnamese manufacturing sector during April as firms were again successful in securing new orders. Encouragingly, employment increased for the first time in three months and business confidence improved for the second month in a row. There were signs of input cost inflation picking up, but firms continued to lower their output prices as part of efforts to boost customer demand.

The headline Nikkei Vietnam Manufacturing *Purchasing Managers' Index™ (PMI®)* – a composite single-figure indicator of manufacturing performance – rose to a four-month high of 52.5 in April from 51.9 in March, and signalled a solid monthly improvement in the health of the sector. Business conditions have improved on a monthly basis since December 2015.

Firms continued to see new orders rise at a solid pace in April, with the rate of growth broadly in line with that seen in March. A similar picture was seen with regards to new export business. In both cases, panellists mentioned improving customer demand.

New order growth fed through to increases in a number of other variables monitored by the survey, including purchasing, employment and output. Manufacturing production rose for the seventeenth successive month. The rate of expansion was solid, albeit weaker than in the previous month.

Job creation was registered for the first time in three months at the start of the second quarter. The increase in employment was slightly faster than the series average. Greater operating capacity meant that firms were able to keep on top of workloads in spite of a further solid expansion of new orders. As a result, backlogs of work decreased for the fourth month running.

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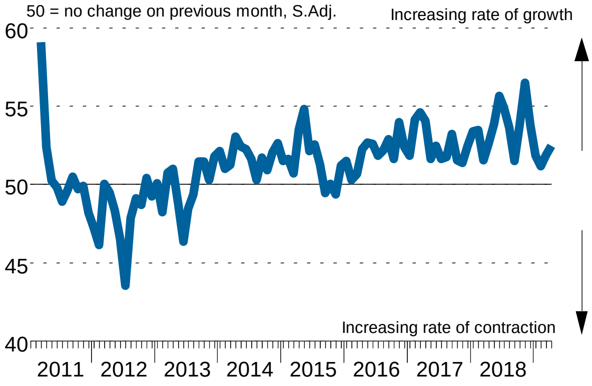

Sources: Nikkei, IHS Markit

Purchasing activity continued to rise solidly, with the latest increase helping to support the first accumulation in pre-production inventories since January. Stocks of finished goods also expanded, albeit only marginally and to the least extent in the current seven-month sequence of accumulation.

New orders are predicted to increase further over the coming year, helping to boost sentiment around production volumes. Business expansion plans are also set to support output growth. Sentiment rose to a three-month high in April.

The rate of input cost inflation accelerated to the sharpest since last November. Panellists reported general increases in raw material prices in international markets. Despite a solid rise in cost burdens, manufacturers in Vietnam continued to lower their output prices. Charges were reduced for the fifth consecutive month, linked to efforts to secure greater new order volumes. That said, the rate of decline was only marginal.

Finally, suppliers' delivery times were broadly unchanged in April. Higher demand for inputs led to delays from some suppliers, but respondents indicated that others were able to satisfy requests for quicker deliveries.

Comment:

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

"The main positive from the latest Vietnam manufacturing PMI survey was a return to employment growth, the first rise in three months, as firms gained confidence that the soft patch at the start of the year is now a thing of the past. There was still a reluctance to raise selling prices, however, in spite of a pick-up in the rate of cost inflation, but this will likely change should solid inflows of new work continue in 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.

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