

# Nikkei Vietnam Manufacturing PMI<sup>®</sup>

## Employment increases at record pace

### Key points:

- Record rise in staffing levels amid strong growth of output and new orders
- Higher output requirements also lead to marked increase in purchasing
- Inflationary pressures intensify

Data collected June 12-21

Business conditions in Vietnam improved sharply during June, and to one of the largest extents since the survey began in March 2011. Strong and accelerated increases were seen for output and new orders amid general improvements in client demand. This fed through to a record rise in employment and a substantial increase in purchasing activity. Meanwhile, sharper increases in both input costs and output prices were recorded.

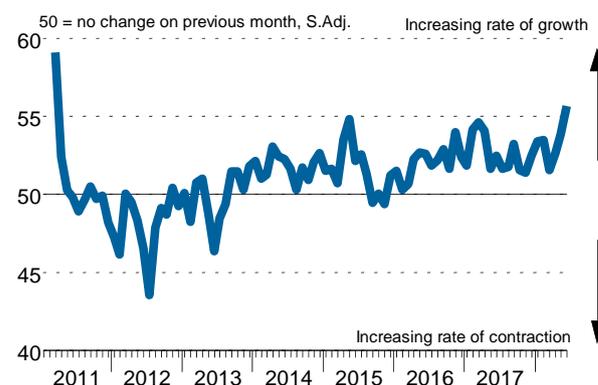
The headline Nikkei Vietnam Manufacturing Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>) – a composite single-figure indicator of manufacturing performance – rose to 55.7 in June from 53.9 in May. The reading signalled a marked monthly improvement in the health of the sector, and one that was second only to the series record seen in March 2011. Business conditions have now strengthened in each of the past 31 months.

Manufacturing output increased at a substantial pace as the rate of growth accelerated for the third month running. The rise was the second-fastest since the survey began, behind only that recorded in March 2011.

Panellists reported that higher new orders and stronger client demand had been behind the rise in output. In line with the picture for production, the rate of growth in new orders was among the steepest seen across the survey's history so far. New orders have risen continuously since December 2015.

The rate of expansion in total new business outpaced that of new export orders in June, with new business from abroad increasing at a slower pace than in May. That said, the rate of growth remained marked.

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Sources: Nikkei, IHS Markit

Higher workloads led firms in Vietnam to take on extra staff in June. Moreover, the rate of job creation quickened to a new survey record. Record hiring helped firms to reduce their backlogs of work fractionally, despite strong new order growth.

Manufacturers also upped their purchasing of inputs sharply in June, with the rate of expansion the third-fastest in the series so far. This helped firms to increase their stocks of purchases. On the other hand, stocks of finished goods decreased as inventories were used to satisfy new orders.

Input costs rose sharply, with the rate of inflation quickening for the third month running to the steepest since February. Higher oil prices and shortages of raw materials contributed to increased cost burdens. Supply shortages were also mentioned by those firms that saw delivery times lengthen. Lead times increased for the seventeenth successive month.

Manufacturers responded to higher input costs by raising their output prices, extending the current sequence of inflation to ten months. Selling prices also increased at the fastest pace since February.

Although easing to a four-month low in June, confidence among manufacturers remained strong. According to respondents, new order growth is set to support increases in output over the coming year.

## Comment:

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

*“The Vietnamese manufacturing sector appears to be motoring midway through 2018, with growth of output and new orders among the fastest seen since the survey began in 2011. The current growth phase has been extremely positive for Vietnamese workers, with firms taking on extra staff at a record pace during June.”*

-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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