

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

### June sees pick-up in growth following slowdown in May

#### Key points:

- Sharper rises in new orders and production
- Staffing levels continue to expand
- Firms remain optimistic, but sentiment dips to four-year low

Data collected June 12-22

Growth in the Vietnamese manufacturing sector improved at the end of the second quarter of the year, following a slowdown in May. A solid rise in new orders supported increases in production, employment and purchasing activity. Business sentiment eased further, however, dipping for the fourth month running to the lowest in four years.

The headline Nikkei Vietnam Manufacturing Purchasing Managers' Index<sup>™</sup> (PMI)<sup>®</sup> – a composite single-figure indicator of manufacturing performance – rose to 52.5 in June, up from May's 14-month low of 51.6. The latest reading signalled a solid improvement in the health of the sector, and one that was above the average since the survey began in March 2011.

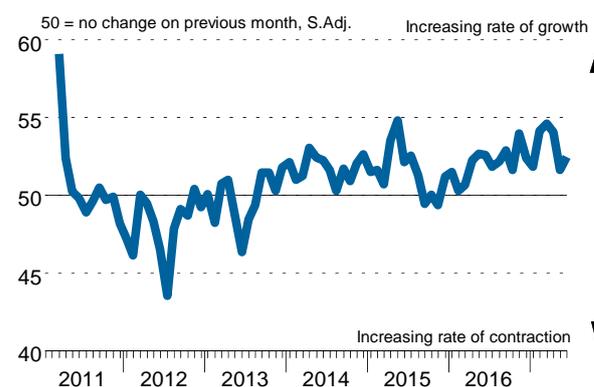
After having slowed markedly in May, the rate of growth in new orders accelerated in June. The latest increase in new business was solid, and linked by panellists to strengthening market demand. New export orders also rose at a faster pace in June.

The expansion in total new business reflected growth in the consumer and intermediate goods sectors, with the pace of increase particularly strong in the former. Meanwhile, investment goods firms saw new orders decline.

New order growth, allied with strengthening client demand, resulted in an eighth successive monthly increase in output. The rate of expansion ticked up from that seen in May.

The rate of job creation also accelerated in June, with manufacturers in Vietnam responding to higher new orders and production requirements. This added operating capacity facilitated the reduction of backlogs of work at some companies. That said, outstanding business overall was largely

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Sources: Nikkei, IHS Markit

unchanged as a number of respondents posted an accumulation in line with solid new order growth.

Manufacturers raised their purchasing activity for the nineteenth month running, and at a solid pace. This helped lead to an increase in stocks of purchases, with a number of firms mentioning efforts to build inventory reserves. Post-production inventories also expanded in June, but only slightly as some companies used inventories to help fulfil orders.

The rate of input cost inflation picked up, but remained much weaker than seen in the first three months of the year. Despite higher cost burdens, firms reduced their output prices for the second month running amid reductions in the costs of some inputs and efforts to secure sales.

Raw material shortages and transportation issues led to a deterioration of vendor performance, the fifth in as many months.

Business sentiment eased further in June, dropping for the fourth successive month to the weakest since June 2013. The latest reading still signalled solid optimism, however, with positive sentiment reflecting expectations of strengthening market demand, success in securing new orders and plans to expand capacity.

## Comment:

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

*“The pick-up in growth in the Vietnamese manufacturing sector in June allays some of the concerns that were raised by the marked slowdown seen in May, with a solid rise in new business particularly encouraging.”*

*“Although slightly down on the first quarter of the year, the average PMI reading over Q2 points to a further solid expansion of Vietnamese manufacturing output. IHS Markit forecast a rise of 6.2% in Vietnamese GDP this year, with these data suggesting that the manufacturing sector continues to make a positive contribution.”*

-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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