HSBC Purchasing Managers' Index™ Press Release

Embargoed until: 09:00 (Ho Chi Minh City) 4 May 2015

compiled by markit

HSBC Vietnam Manufacturing PMI™

Sharpest rise in output in four years

Summary

April PMI data pointed to a solid improvement in business conditions in the Vietnamese manufacturing sector as improving client demand led to stronger rises in output and new orders. Higher production requirements led to increases in both employment and purchasing activity. Meanwhile, further falls in both input costs and output prices were recorded, although in each case rates of reduction eased.

The headline seasonally adjusted *Purchasing Managers' Index™ (PMI™)* – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – rose to 53.5 in April from 50.7 in the previous month, thereby signalling a solid strengthening of operating conditions. Moreover, the improvement was the strongest since the series began in April 2011. Business conditions have now strengthened in each of the past 20 months.

Driving the overall improvement in business conditions was a sharp increase in new business as a number of firms reported having secured new customers. The rate of expansion was the sharpest in the series history. This was also the case with regards to new business from abroad, where growth was solid.

Higher new orders led to a nineteenth successive monthly increase in manufacturing production, with the rate of expansion quickening to the fastest since April 2011. Growth of output resulted in a further reduction in backlogs of work as firms reported efforts to complete orders quickly. That said, the rate of depletion was the weakest in the current four-month sequence of falling outstanding business.

Manufacturers took on extra staff in order to help meet production requirements in April. The modest rise in employment followed a decrease in the previous month.

As has been the case in each month since last November, input costs decreased. Panellists reported lower costs for materials including oil, iron and steel, while some respondents had requested price reductions from suppliers. The latest fall in input costs was the slowest in five months. Decreasing input prices was the main factor behind a further reduction in charges at Vietnamese manufacturing firms. That said, the rate of decline eased for the third month running.

Suppliers' delivery times lengthened for the second month in a row amid reports of material shortages at vendors. That said, the rate of deterioration in lead times was only marginal as prompt payments led some suppliers to quicken their deliveries.

Increases in new business led to a sharp rise in purchasing activity during April. Input buying has now risen in each of the past 20 months, with the latest expansion the strongest since April last year. This rise in purchasing led to an accumulation of pre-production inventories, the first in four months.

Stocks of finished goods also increased, following a decline in the previous month. Some panellists reported that finished products were awaiting delivery to clients.

Comment

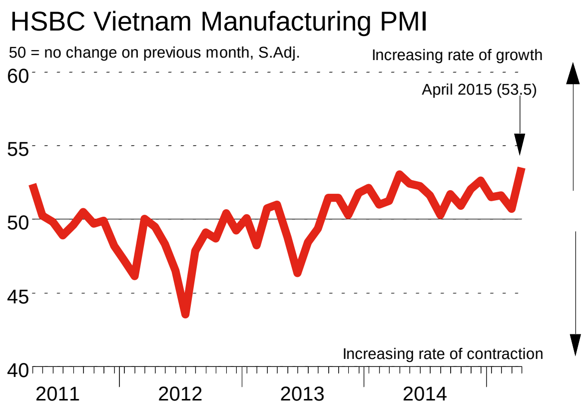
Commenting on the Vietnam Manufacturing PMI™ survey, Andrew Harker, Senior Economist at Markit said:

"Growth of the Vietnamese manufacturing sector stepped up a gear in April, with the latest set of numbers the most impressive in the four-year survey history. Central to the improvement was success for firms in securing new clients, helped by a continued lack of inflationary pressure."

Key points

- Sharp growth of production
- Record rise in new business
- Input costs continue to fall

Historical Overview



Sources: Markit, HSBC.

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Notes to Editors:

The HSBC Vietnam Manufacturing PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 400 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to Vietnamese GDP. 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'.

The *Purchasing Managers' Index™ (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.

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.

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 Markit. Please contact economics@markit.com.

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About PMI:

Purchasing Managers' Index™ (PMI™) surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics