

Nikkei Vietnam Manufacturing PMI™

New order growth remains solid in December

Key points:

- New orders rise solidly amid stronger growth in exports
- Production expands, albeit at slower pace
- Rate of input cost inflation remains sharp

Data collected December 5-14

The Vietnamese manufacturing sector ended 2016 on a positive note, according to latest PMI data. Business conditions improved on the back of increases in new orders, output and employment. Meanwhile, the rate of expansion in purchasing activity remained substantial amid efforts to build inventory reserves. Input costs continued to rise sharply, with panellists responding by increasing their charges at one of the fastest rates in the past five-and-a-half years.

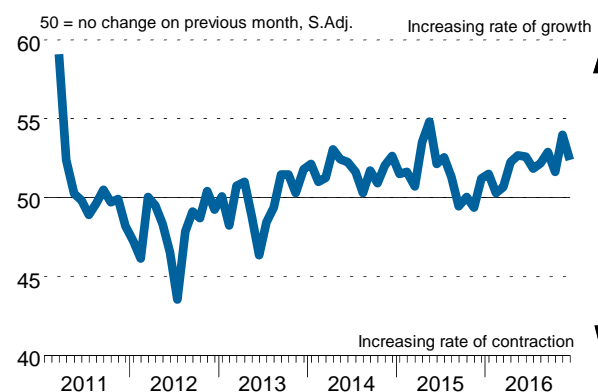
The headline Nikkei Vietnam Manufacturing Purchasing Managers' Index™ (PMI)™ – a composite single-figure indicator of manufacturing performance – posted 52.4 in December, down from November's reading of 54.0 but still signalling a solid monthly improvement in the health of the sector. Manufacturing operating conditions have now strengthened in each of the past 13 months.

Manufacturing output rose for the twelfth time in the past 13 months during December, albeit at a weaker pace than in the previous month. According to respondents, higher new orders was the main factor leading to production growth.

A further solid increase in new orders was recorded, although as with output the rate of expansion eased. Meanwhile, new export orders rose at the joint-fastest pace in the survey's history, equal with the first month of data collection in March 2011. Those panellists reporting higher new orders linked this to improving client demand.

Although higher new orders put pressure on capacity at some manufacturers, a slight slowdown in the rate of expansion enabled firms to keep on top of workloads. Overall, backlogs of work decreased for the first time in three months.

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Sources: Nikkei, IHS Markit

Manufacturers increased staffing levels for the ninth successive month, with panellists linking job creation to higher new orders and production requirements.

The rate of input cost inflation remained sharp amid reports of higher raw material costs and a depreciation of the Vietnamese dong against the US dollar. In turn, manufacturers raised their output prices, with the pace of increase only slightly slower than November's five-and-a-half year high.

A further steep monthly rise in purchasing activity was registered as panellists responded to higher new orders and attempted to build inventories. The latest expansion in input buying was one of the steepest in the series so far. As a result, stocks of purchases increased solidly. Requests for faster deliveries of purchased items were met by suppliers in December as lead times shortened for the fourth month running.

Finally, stock building efforts were also responsible for a rise in post-production inventories, while there were also reports of some products awaiting delivery.

Continues...

Comment:

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

“Solid growth in the final month of 2016 completed a generally positive year for the Vietnamese manufacturing sector. Local firms continue to be able to secure new work, with a joint-record rise in new export business a key highlight from the latest survey. The sector therefore seems in good shape heading into 2017, wherein IHS Markit forecasts a rise in GDP of 6.3%.”

-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.

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@ihsmarkit.com.

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