

Nikkei Vietnam Manufacturing PMI™

Solid expansion in manufacturing output

Key points:

- Sharper rises in output and new orders in July
- Input costs decrease for first time in three months
- Rate of job creation picks up

Summary:

The health of the Vietnamese manufacturing sector improved solidly again in July, with faster growth of both output and new orders recorded. With production requirements increasing, firms upped their staffing levels and purchasing activity. Meanwhile, input prices decreased for the first time in three months and companies lowered their output prices again.

The headline Nikkei Vietnam Manufacturing Purchasing Managers' Index™ (PMI)™ – a composite single-figure indicator of manufacturing performance – posted 52.6 in July, up slightly from 52.2 in June and signalling a further improvement in business conditions in the manufacturing sector. The health of the sector has now strengthened in each of the past 23 months.

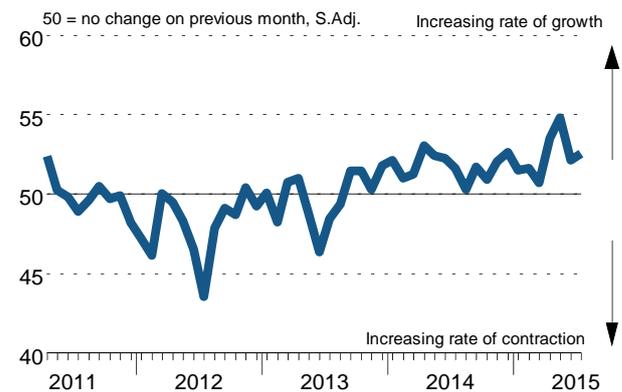
Supporting the stronger improvement in business conditions were sharper expansions in output, new orders and employment.

Total new business increased solidly as a result of greater customer demand. On the other hand, new export orders decreased for the second successive month.

Growth of total new orders led manufacturers to raise production, extending the current sequence of expansion to 22 months. The pace of increase in output during July was solid and faster than in the previous month.

Some firms reported having made efforts to reduce outstanding business in July, with others mentioning spare capacity. As a result, backlogs decreased for the second month running. Meanwhile, the prompt delivery of products to customers contributed to a marginal reduction in stocks of finished goods.

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Sources: Nikkei, Markit

Growth of new orders and a related rise in production requirements led Vietnamese manufacturers to take on extra staff, with the rate of job creation quickening from that seen in June. Firms have raised employment continuously since April.

Manufacturers also increased their purchasing activity, with the rate of expansion among the sharpest in the series history. Despite this, stocks of purchases decreased as items were used in the production process.

Input prices decreased for the first time in three months as panellists reported that suppliers had reduced their prices. Lower input costs and competitive pressures led to another reduction in prices charged by Vietnamese manufacturers. Output prices have now decreased in each of the past ten months.

Suppliers' delivery times lengthened fractionally in July. While panellists suggested that some suppliers had reacted positively to requests for faster deliveries, others indicated that shortages of materials had contributed to longer lead times.

Comment:

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

“The pick-up in the rates of growth of output, new orders and employment in July are a welcome sign given the slowdown in the previous month and suggest that the manufacturing sector remains on track following a strong performance in Q2. Export demand was again the main negative from the latest survey as new business from abroad fell for the second month running.

“There remains little evidence of building inflationary pressures as input prices decreased for the first time in three months and output prices fell further.”

-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 Standard Industrial Classification (SIC) group, based on the industry contribution to GDP. 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@markit.com.

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