

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

## Manufacturing output returns to growth in December

### Key points:

- Production rises amid sharper growth of new orders
- Rate of job creation accelerates
- Business confidence at nine-month high

Data collected December 5-13

The Vietnamese manufacturing sector experienced a positive end to 2017, with December seeing a return to growth of output amid a solid expansion of new orders. Both employment and purchasing activity also increased at sharper rates, and business sentiment improved. Meanwhile, rates of inflation of both input costs and output prices were broadly in line with those recorded in November.

The headline Nikkei Vietnam Manufacturing Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>) – a composite single-figure indicator of manufacturing performance – rose to a three-month high of 52.5 in December, from 51.4 in November. The reading signalled a solid monthly improvement in the health of the sector at the end of 2017. Business conditions have now strengthened in each of the past 25 months.

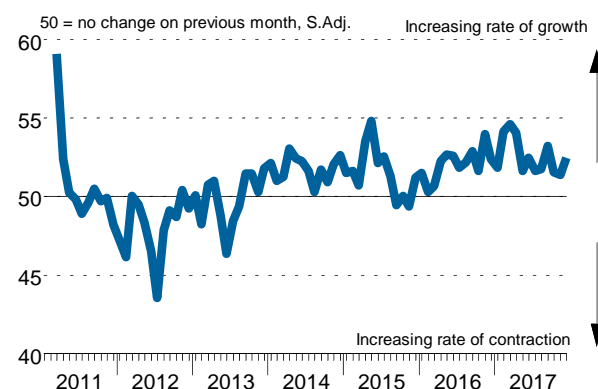
One factor leading to the improvement in operating conditions was a return to growth of production. The modest increase in output in December followed broadly unchanged production volumes in November. Those respondents that raised output linked this to stronger market demand and higher new orders.

Improved customer demand resulted in a solid rise in new orders, the fastest in three months. New business from abroad also increased at a solid and accelerated pace during December.

Improving client demand also helped to support optimism that output will increase over the coming 12 months. Business sentiment improved to a nine-month high in December.

There remained evidence of spare capacity in the sector at the end of the year, linked to a recent period in which new order growth had eased. Backlogs of work decreased for the second month

Nikkei Vietnam Manufacturing PMI



Sources: Nikkei, IHS Markit

running, albeit modestly and at a slower pace than in November.

Rising output requirements contributed to a twenty-first consecutive monthly rise in employment at Vietnamese manufacturers. The rate of job creation was solid, and the sharpest since September.

Efforts to expand output also fed through to higher input buying during the month. Moreover, the marked expansion in purchasing activity was the fastest since April. Stocks of purchases were broadly unchanged, following a fall in November.

Higher costs for raw materials such as oil and steel, as well as increases in prices from Chinese suppliers, resulted in a further sharp rise in input costs during December. The rate of inflation was little-changed from that seen in November. This was also the case with output prices, which increased modestly.

Suppliers' delivery times lengthened again in December, with panellists largely attributing delivery delays to raw material shortages. Lead times have now lengthened in 11 successive months.

Finally, stocks of finished goods decreased. Panellists often reported that goods had been produced directly for sale rather than to increase inventory levels.

## 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 recorded a welcome return to growth of output in December, supported by a solid and accelerated increase in new orders. This is welcome news following a slowdown in recent months.”*

*“Overall, 2017 has been a positive year for the sector, with the average PMI reading the highest since the survey began in 2011. Industry in Vietnam therefore looks to be in good shape heading into 2018.”*

-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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