News Release

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Nikkei Vietnam Manufacturing PMI™

Output growth slows to ten-month low

Key points:

- Weaker expansions of output and new business
- New export orders decrease for third month running
- Sharpest fall in input costs since February

Summary:

Weaker growth of output and new orders was recorded at Vietnamese manufacturing firms in August amid some reports of easing client demand. Falling prices in world markets contributed to a sharp reduction in input costs. This led to a faster decline in output prices, while some firms reported having lowered charges in response to competitive pressures from Chinese firms. This was also mentioned as a factor behind a drop in new export orders.

The headline Nikkei Vietnam Manufacturing *Purchasing Managers' Index™ (PMI)™* – a composite single-figure indicator of manufacturing performance – posted 51.3 in August, down from 52.6 in July and signalling the weakest improvement in business conditions since March. That said, the health of the sector has now strengthened on a monthly basis throughout the past two years.

Manufacturing output increased at the slowest pace in ten months amid some reports of weakening client demand. Growth of new business also eased in August, but remained solid as panellists indicated having secured new work from both new and existing clients.

In contrast to the trend in total new business, new export orders decreased for the third month running. Declining demand from international clients and competitive pressures from Chinese firms were mentioned as factors leading to the fall in new export orders.

China was also mentioned with regards to changes in prices during August, with the depreciation of the renminbi reportedly a cause of lower input prices. Falling prices in world markets for items such as steel and oil were also mentioned by those firms that recorded a drop in input costs, which was the sharpest since February.

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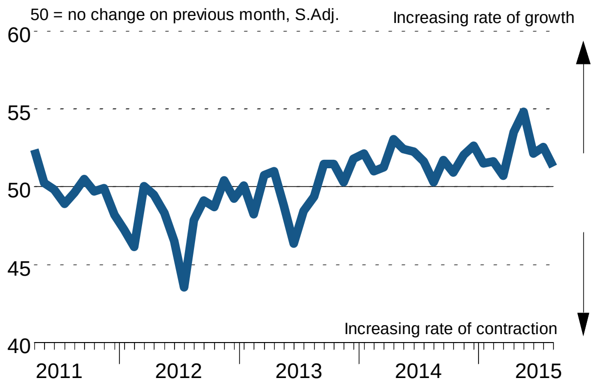

Sources: Nikkei, Markit

Panellists passed on lower input costs to their clients, with price competition also a factor adding to deflationary pressures. The latest fall in charges was among the sharpest in the series history.

Weaker growth of new orders led backlogs of work to decrease for the third consecutive month, but firms continued to raise their staffing levels in August. That said, the rate of job creation slowed from July.

Suppliers' delivery times improved for the first time in six months during August, with panellists linking shorter delivery times to fast payments and requests for quicker deliveries.

As has been the case on a monthly basis throughout the past two years, purchasing activity rose in August. However, stocks of purchases decreased for the second month in a row.

Stocks of finished goods also declined during the month, with respondents indicating that finished products had been delivered to customers on completion.

Comment:

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

"Weakness in international markets acted as a brake on the Vietnamese manufacturing sector in August and production growth eased to a ten-month low. While still in expansionary territory, the

compiled by markit

latest PMI data imply a clear softening of growth from the strong rates seen earlier in the year.

"The impacts of the Chinese currency depreciation were felt in the sector, with prices paid for Chinese goods reportedly lower and intensified price competition from firms in China. Local manufacturers will hope that the State Bank of Vietnam allowing the dong to weaken in response will cancel out some of these effects, helping them to maintain competitiveness in what appears to be a difficult international environment."

-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@markit.com.

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