News Release

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Nikkei Vietnam Manufacturing PMI™

Output continues to rise, albeit at weaker pace

Key points:

- Slower expansions of output, new orders and employment
- Input costs fall at fastest pace in three months
- Inventories of both purchases and finished goods decrease solidly

Summary:

February saw a further modest improvement in business conditions in the Vietnamese manufacturing sector as growth in output, new orders and employment was maintained. That said, the respective increases in each of these areas were weaker than seen in January. Meanwhile, lower oil prices contributed to a sharper reduction in input costs, while output prices decreased again.

The headline Nikkei Vietnam Manufacturing *Purchasing Managers' Index™ (PMI)™* – a composite single-figure indicator of manufacturing performance – dipped to 50.3 in February, down from 51.5 in January but remaining above the 50.0 no-change mark. The health of the sector has strengthened in three successive months, but the latest improvement was the weakest in this sequence.

Vietnamese manufacturing output increased for the third month running, albeit only slightly and at a weaker pace than in January. This slowdown helped lead to a reduction in stocks of finished goods, as firms used inventories to fulfil new orders. Moreover, post-production inventories fell to the greatest extent since February 2014.

A slower rise in new orders was recorded in February. Where new business increased, panellists mentioned improved customer demand. Meanwhile, new export orders also rose, and at a slightly faster pace than in the previous month.

Higher new orders contributed to a second successive monthly accumulation of outstanding business, although the rise in February was only fractional.

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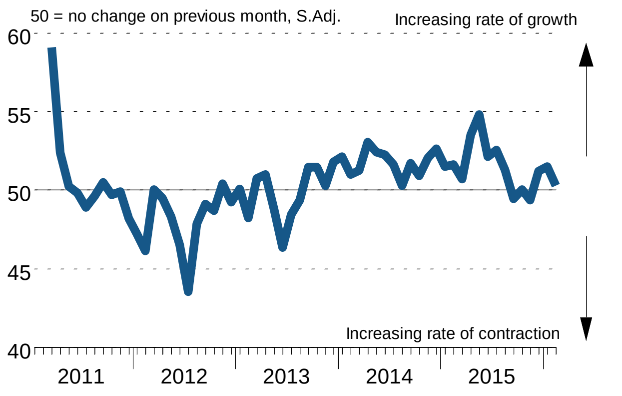

Sources: Nikkei, Markit

Similarly, employment was broadly unchanged during the latest survey period as hiring in support of production growth at some firms contrasted with resignations at others. Staffing levels rose in the consumer and intermediate goods sectors.

Input prices fell at the fastest pace in three months during February, extending the current sequence of deflation to eight months. According to respondents, lower oil prices was the main factor leading costs to decline. Both the intermediate and investment goods sectors posted falling input prices.

In response to falling input costs, as well as fragile client demand, manufacturers lowered their output prices. The latest decrease was solid, but the slowest since last July.

In line with the trends for output and new orders, purchasing activity rose at a slight pace that was weaker than in the previous month. Meanwhile, stocks of purchases decreased to the greatest extent in two-and-a-half years.

Suppliers' delivery times lengthened for the third consecutive month in February amid pressure on capacity, but the rate of deterioration in vendor performance was only slight.

Comment:

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

"The Vietnamese manufacturing sector saw growth weaken in February as fragile global demand conditions hampered efforts to sustain the momentum gained at the start of the year. Reflecting this, a number of firms favoured the running down of stocks to new purchasing or production. Meanwhile, costs continued to fall sharply on the back of lower prices for commodities, particularly oil."

-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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