News Release

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Nikkei Vietnam Manufacturing PMI®

Sharper rise in new orders during August

Key points:

- Faster new order growth supports further increase in output
- Employment rises only marginally
- Input cost inflation accelerates

Data collected August 11-22

The recent modest improvements in the Vietnamese manufacturing sector continued in August, extending the current sequence of strengthening business conditions to 21 months. Slightly faster increases were seen in output and new orders, but employment growth eased. Meanwhile, shortages of raw materials led to a pick-up in the rate of input cost inflation. Output prices continued to fall, however, extending the current sequence of declining selling prices to four months.

The headline Nikkei Vietnam Manufacturing *Purchasing Managers' Index™ (PMI)®* – a composite single-figure indicator of manufacturing performance – ticked up to 51.8 in August from 51.7 in July. This signalled a further modest monthly improvement in the health of the sector.

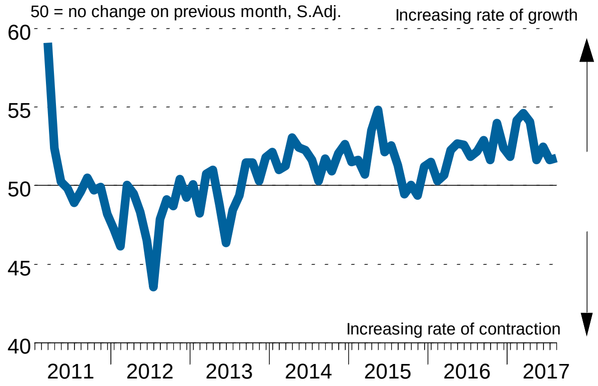
Central to the latest improvement in business conditions was a solid and accelerated rise in new orders. New business has increased continuously since December 2015, with stronger client demand mentioned by respondents. The rate of expansion in new export orders also quickened and was the fastest in four months.

Rising new orders led to another increase in manufacturing production, the tenth in as many months. The rate of growth was modest, but quicker than that seen in July.

Higher output requirements encouraged firms to take on extra staff. That said, the rate of job creation was only marginal, and the slowest in the current 17-month sequence of rising employment.

Staff shortages and rising new orders were reportedly factors leading to a second successive monthly rise in backlogs of work. Although easing from July's 75-month high, the rate of accumulation was still one of the sharpest in the series history.

Nikkei Vietnam Manufacturing PMI



Sources: Nikkei, IHS Markit

Raw material shortages were a feature of the latest survey, contributing both to higher input costs and longer suppliers' delivery times. The rate of input price inflation quickened to a four-month high, and was sharp.

Despite the marked increase in input costs, firms continued to reduce their output prices in August. Charges decreased for the fourth month running, albeit only marginally.

Purchasing activity increased at a faster pace, with the latest expansion linked to higher new orders. Stocks of purchases also rose, the fourteenth month running in which this has been the case.

Post-production inventories, on the other hand, decreased for the second successive month, albeit marginally. Panellists suggested that the dispatch of finished products to customers had been behind the reduction.

Business confidence improved in August and was the strongest since March. Anecdotal evidence suggested that firms were planning to increase output, helped by expansions in capacity and predictions of rising new orders. More than 56% of respondents predicted a rise in production over the coming 12 months.

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 continued to perform steadily mid-way through the third quarter of the year. There were further positive signs regarding new orders which should help the sector to maintain growth going forward. That being said, the weakness of the latest increase in employment is disappointing. Job creation will hopefully pick up in coming months given further reports of pressure on capacity.

"Raw material shortages were a feature of the latest survey, meanwhile, causing a marked acceleration of cost inflation and delivery delays from suppliers."

-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.

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