News Release

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Nikkei Vietnam Manufacturing PMI®

New order growth quickens to three-month high

Key points:

- Sharper increase in new orders amid marked export growth
- Output and employment also rise at faster rates
- Sharp input cost inflation contrasts with slight rise in output prices

Data collected April 12-20

The Vietnamese manufacturing sector recorded a pick-up in growth momentum during April, with sharper rises in output, new orders and employment. Firms mentioned particular strength in export markets. Meanwhile, input costs continued to rise at a sharp pace but output prices increased only modestly.

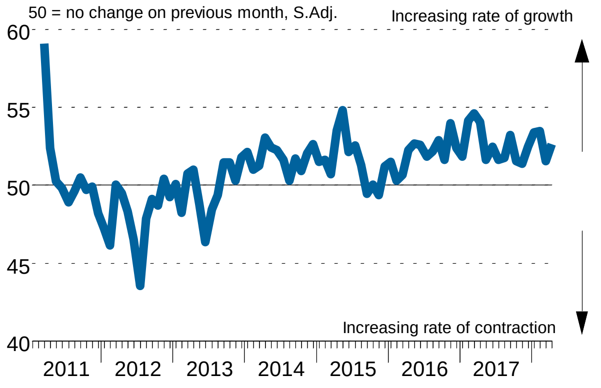
The headline Nikkei Vietnam Manufacturing *Purchasing Managers' Index™ (PMI®)* – a composite single-figure indicator of manufacturing performance – rose to 52.7 in April, up from 51.6 in March and signalling a solid monthly improvement in business conditions. The health of the sector has now strengthened in each of the past 29 months.

Central to the latest improvement in operating conditions was a marked pick-up in new orders, with the rate of growth at a three-month high. Panellists reported strengthening client demand, with some highlighting new orders from export clients. New business from abroad rose to the greatest extent since last October. Some respondents signalled new work from customers in Japan.

New order growth encouraged manufacturers to raise production during April. Output increased at a solid pace, and one that was greater than seen in March. Further growth of production is expected over the coming year. Although sentiment dipped from the previous month, it remained strongly positive, with around half of all respondents expecting output to rise.

Faster growth of new orders contributed to an increase in backlogs of work in April, ending a five-month sequence of decline. Issues with machinery and staff shortages were also reportedly factors leading to the accumulation of unfinished work.

Nikkei Vietnam Manufacturing PMI



Sources: Nikkei, IHS Markit

Alongside faster rises in output and new orders, Vietnamese manufacturers upped their rate of job creation in April. Jobs growth has now been registered in 25 successive months.

Manufacturers signalled a further sharp increase in input costs amid higher prices for materials in global markets. Moreover, the rate of inflation quickened slightly from the previous month. On the other hand, output prices rose only slightly, and at the weakest pace in the current eight-month sequence of inflation. Although some panellists raised charges in response to higher input costs, others offered discounts in order to attract customers.

Purchasing activity continued to rise in April, and at a stronger pace than in March as panellists responded to higher production requirements. This was also a factor behind a slight rise in stocks of purchases.

In contrast to the picture for pre-production inventories, stocks of finished goods decreased, the ninth time in the past ten months in which a decline has been recorded.

Finally, suppliers' delivery times were broadly unchanged in April. Transportation issues and shortages of materials were behind longer lead times at some firms, but others indicated that requests for faster deliveries had been met.

Comment:

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

"The ability of Vietnamese manufacturers to secure new business was at the forefront of the latest PMI survey, with new export business up particularly sharply in April. Competitive pricing looks to have been a key driver of firms' success, with output prices rising only slightly despite strong cost inflation. Firms therefore appear willing to accept reduced margins in exchange for securing greater volumes of new work."

-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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