HSBC Purchasing Managers' Index™ Press Release

compiled by markit

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HSBC Vietnam Manufacturing PMI™

Return to growth of manufacturing sector signalled

Summary

September's survey of Vietnamese manufacturers provided positive news on the health of the sector. New orders and employment both increased at survey record rates, while there was a marked gain in foreign sales. There were reports that underlying economic conditions were improving, supporting demand and raising market activity.

The headline seasonally adjusted Purchasing Managers' Index™ (PMI™) – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – rose back above the 50.0 no-change mark during September to record 51.5. That was an improvement on August's 49.4 and the best reading since April 2011, the first month for which survey data are available.

Driving the PMI higher in September were survey record rises in new business and employment.

Growth of new business was solid, reflective of an improvement in underlying demand from domestic and foreign clients. Better product quality and competitive pricing – the latest survey showed a sixth successive monthly decline in output charges – also helped to support sales growth.

New export business also rose at a series record pace. September was the first time in four months that an increase in new export sales had been registered.

Encouraged by higher sales, payrolls in Vietnam's manufacturing sector continued to expand. Marked growth was the second in successive months as companies sought to keep on top of their workloads.

On this front, backlogs of work continued to decline in September. Latest data marked the eighteenth consecutive month that work outstanding has been cut. However, the degree to which backlogs were depleted was the slowest seen since April.

Stocks of finished goods rose slightly in September. Manufacturers were able to add to stocks, reduce backlogs and cope with a rise in new orders while maintaining a broadly stable level of output.

On the price front, input cost inflation was maintained in September. Despite easing on August's high, the degree to which average costs rose was again marked and, with output charges falling in line with ongoing competitive pressures, profits margins continued to be squeezed.

Fuel, utility bills and raw materials were all reported to have risen in price in September. There were some reports of scarce supply. This was further borne out by the latest data on suppliers' delivery times, which showed a deterioration in vendor performance for the first time in six months. There were reports of stock shortages at suppliers during September.

Demand for inputs was also higher in September. Purchasing activity among Vietnamese manufacturers increased for the first time since April in line with rising new orders and positive demand projections.

Comment

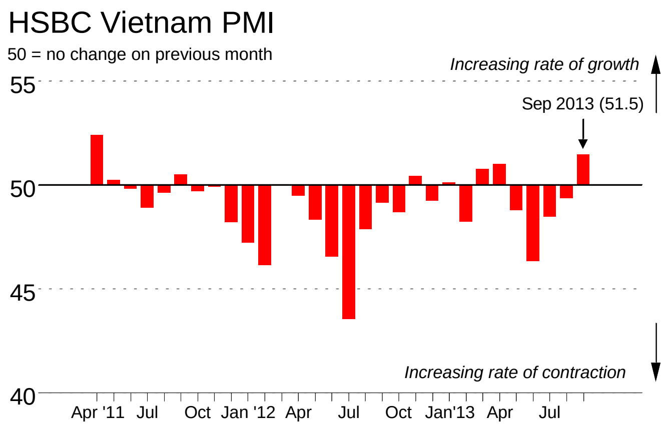
Commenting on the Vietnam Manufacturing PMI™ survey, Trinh Nguyen, Asia Economist at HSBC said:

"The above 50.0 PMI reading is reflective of improved global demand for Vietnamese goods as well as a stabilization of domestic conditions. While we expect output to pick up in H2 2013 thanks to an expected recovery in the Eurozone, China, the US and Japan, internal demand is still lacklustre. While prices rose in Q3 2013, we expect inflationary pressures to remain contained."

Key points

- Headline PMI above 50.0 for first time in five months
- Survey record gains in new orders, exports and employment
- Output broadly stable and margins remain under pressure

Historical Overview



Sources: Markit, HSBC.

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For further information, please contact:

HSBC

Trinh Nguyen, Asia Economist
Telephone +852-2996-6975
Email trinhdnguyen@hsbc.com.hk

Giang Cao
Head of Group Communications, HSBC Bank (Vietnam) Ltd
Telephone +848-3829-2288
Email giangcao@hsbc.com.vn

Hoai Anh Ly
Communications Manager
Telephone +848-3520-3483
Email anh.hoai.ly@hsbc.com.vn

Markit

Paul Smith, Senior Economist
Telephone +44-1491-461-038
Email paul.smith@markit.com

Caroline Lumley, Corporate Communications
Telephone +44-20-7260-2047
Mobile +44-781-581-2162
Email caroline.lumley@markit.com

Notes to Editors:

The HSBC Vietnam Manufacturing PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 400 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to Vietnamese GDP. 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'.

The *Purchasing Managers' Index™ (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.

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.

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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Purchasing Managers' Index™ (PMI™) surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics