

Nikkei Vietnam Manufacturing PMI™

New orders rise sharply amid record export growth

Key points:

- Fastest rise in new export orders in survey's history
- Ongoing growth of output and employment
- Inflationary pressures ease

Data collected April 11-20

Strong growth of new orders continued to support rises in output, employment and buying activity in the Vietnamese manufacturing sector during April. In particular, a survey-record increase in new business from abroad was recorded. Elsewhere, there were some signs of inflationary pressures easing, with both input costs and output prices increasing at the weakest rates in six months.

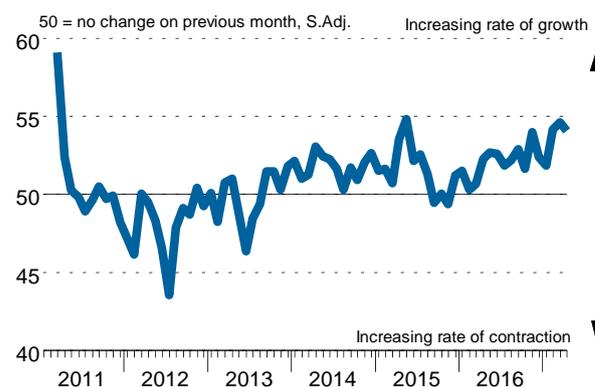
The headline Nikkei Vietnam Manufacturing Purchasing Managers' Index™ (PMI)™ – a composite single-figure indicator of manufacturing performance – posted 54.1 in April, down slightly from 54.6 in March but still signalling a solid monthly improvement in the health of the sector at the start of the second quarter of the year. Business conditions have now improved in each of the past 17 months.

A sharp rise in new orders was central to the latest improvement in operating conditions, with new business from abroad increasing at a survey-record pace. The rate of growth in new export orders has now quickened in three successive months. Panellists linked expansions in both total new business and new export work to strengthening client demand. New orders have increased continuously since December 2015.

Growth of new work led manufacturers to increase production again in April. The rate of expansion was marked, albeit weaker than March's 22-month high.

The rise in production enabled firms to work through outstanding business despite strong new order growth. The fall in backlogs of work was the first since the end of 2016. Stocks of finished goods also decreased, with some reports of products being delivered from warehouses.

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Sources: Nikkei, IHS Markit

Employment increased for the thirteenth successive month as firms responded to new order growth. The rate of job creation eased, but remained solid.

A further impact resulting from the rise in new work was a pick-up in purchasing activity by Vietnamese manufacturers. The rate of expansion remained sharp and contributed to a tenth successive monthly rise in stocks of purchases. Some panellists mentioned having increased inventories in anticipation of further new order growth in the coming months.

Confidence around future rises in new business was also a factor behind continued strong optimism with regards to production over the next year.

Higher demand for inputs encouraged suppliers to increase their prices during April, thereby leading to another monthly rise in input costs. There were also some mentions of higher prices for goods from China. However, the rate of cost inflation eased to the weakest since last October. Output prices also rose at the slowest pace in six months as charges were increased only modestly. Where factory gate prices rose, this was largely in response to higher input prices.

Manufacturers reported lengthening delivery times for the third month in a row, partly linked to raw material shortages. Moreover, the latest deterioration in vendor performance was the most marked since January 2016.

Comment:

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

“A record rise in exports was the key highlight from the latest Vietnam Manufacturing PMI survey as firms once again displayed a good ability to secure new work in international markets. This success fed through to improvements throughout the sector, with production, employment and purchasing activity all rising solidly in April. The manufacturing sector therefore remains a star performer in Vietnam at the start of Q2.”

-Ends-

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For further information, please contact:

IHS Markit (About PMI and its comment)

Andrew Harker, Senior Economist
Telephone +44 1491 461 016
Email andrew.harker@ihsmarkit.com

Jerrine Chia, Marketing and Communications
Telephone +65 6922-4239
E-mail jerrine.chia@ihsmarkit.com

Bernard Aw, Economist
Telephone +65 6922 4226
E-mail bernard.aw@ihsmarkit.com

Nikkei inc. (About Nikkei)

Ken Chiba, Deputy General Manager, Public Relations Office
Atsushi Kubota, Manager, Public Relations Office
Telephone +81 3 6256 7115
Email koho@nex.nikkei.co.jp

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@ihsmarkit.com.

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