HSBC Purchasing Managers' Index™ Press Release
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compiled by markit

HSBC Vietnam Manufacturing PMI™

Manufacturing output rises for seventeenth successive month

Summary

The Vietnamese manufacturing sector maintained its recent period of growth in February, with new orders and output both rising at faster rates than at the start of the year. A further steep reduction in input prices was recorded in line with lower fuel costs, and this fed through to another marked fall in prices charged.

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 – posted 51.7 in February, up marginally from the reading of 51.5 seen in January. Operating conditions in the sector have now strengthened on a monthly basis throughout the past year-and-a-half.

New orders at manufacturers in Vietnam increased at a solid pace during February, with the rate of expansion slightly stronger than in January. New business has now risen in six successive months, with panellists reporting improved client demand, good quality products and competitive pricing. In contrast, new export orders decreased, ending a five-month sequence of growth.

The latest rise in overall new business led to a further expansion in output, the seventeenth in as many months. As was the case with new orders, the rate of expansion in production quickened from that seen at the start of the year.

Higher production enabled companies to work through backlogs of work in February. Outstanding business fell at a solid pace for the second month running.

Greater production requirements led to rises in employment and purchasing activity. Staffing levels increased for the sixth successive month, albeit at the weakest pace since September last year. Meanwhile, the latest expansion in input buying extended the current sequence of growth to 18 months.

Reductions in fuel costs was the main factor leading to another drop in input prices at Vietnamese manufacturing firms. The rate of decline was substantial, albeit weaker than the previous month's series record. With input prices continuing to fall, firms lowered their output prices accordingly. Charges decreased for the fifth month running, and at a marked pace.

Suppliers' delivery times shortened for the fifth month in a row during February. The latest improvement in vendor performance was modest, but the strongest since September 2012. Firms attributed the shortening of lead times to requests for faster deliveries and sufficient inventory holdings at suppliers.

Despite increased purchasing activity, stocks of inputs decreased for the second month running as items were used in the production process. Meanwhile, stocks of finished goods were broadly unchanged in February following a marginal fall at the start of the year. Those panellists that reported a rise in post-production inventories indicated that finished products were awaiting delivery. On the other hand, higher sales led some firms to record a fall in stocks of finished goods.

Comment

Commenting on the Vietnam Manufacturing PMI™ survey, Andrew Harker, Senior Economist at Markit said:

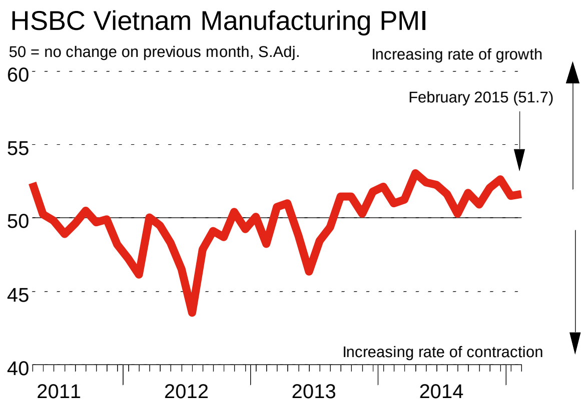
"As Vietnam welcomes in the Lunar New Year, there was further good news on the manufacturing front in February. Production and new business each rose at sharper rates, with firms linking higher client demand to competitive pricing.

"Lower fuel costs are driving prices in the sector down, in line with the weakest rate of consumer price inflation since 2001."

Key points

- Sharper expansions in output and new orders
- Further steep decline in input costs
- Job creation recorded for sixth month running

Historical Overview



Sources: Markit, HSBC.

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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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About PMI:

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