

Nikkei Vietnam Manufacturing PMI[®]

Rate of improvement in the Vietnamese manufacturing sector moderates

Key points:

- Slower rises in both output and new orders...
- ...but new business still increases solidly, supporting fastest rise in backlogs since April 2011
- Input cost inflation eases to 13-month low

Data collected July 12-21

The rate of improvement in the Vietnamese manufacturing sector moderated in July, with slower increases in both output and new orders recorded. The rate of new order growth remained solid, however, with firms seeing a pick-up in backlogs of work as a result. In turn, this led to a reduction in stocks of finished goods as inventories were used to help fulfil new orders.

Meanwhile, the rate of job creation was little-changed from that seen in June. The rate of cost inflation eased to the weakest in over a year, while panellists lowered their output prices for the third month running.

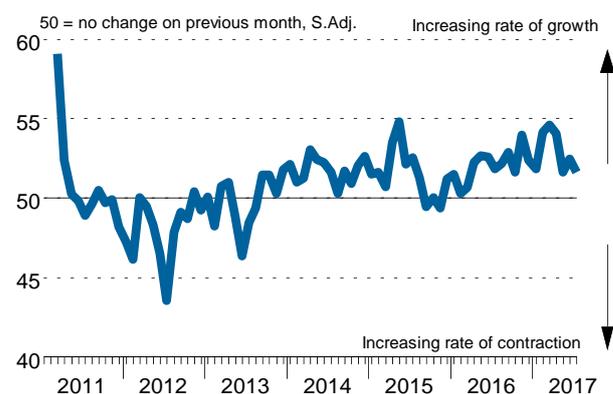
The headline Nikkei Vietnam Manufacturing Purchasing Managers' Index™ (PMI)[®] – a composite single-figure indicator of manufacturing performance – dipped to 51.7 in July, down from 52.5 in June. The reading represented a modest improvement in the health of the sector, and one that was weaker than registered at the end of Q2.

Both output and new orders increased at slower rates during July. The rise in production was the weakest in the current nine-month sequence of expansion.

New orders have risen continuously since December 2015, and increased solidly in July. This was also the case with regards to new business from abroad.

With new orders increasing to a greater extent than output, backlogs of work were accumulated and stocks of finished goods depleted. The rise in outstanding business was solid, and the strongest since April 2011. Meanwhile, the marginal decline in post-production stocks was the first in three months as firms used stocks to help fulfil orders.

Nikkei Vietnam Manufacturing PMI



Sources: Nikkei, IHS Markit

Rises in new orders and higher production requirements led manufacturers to increase staffing levels, the sixteenth successive month in which this has been the case. The rate of job creation was little-changed from that seen in June.

The rate of input cost inflation moderated and was the weakest since June 2016 as some panellists reported falling market prices. The latest rise in input prices was much slower than those seen in the first quarter of the year.

With cost pressures easing, manufacturers lowered their output prices again in July, the third successive month in which this has been the case. The rate of decline quickened slightly, but remained modest.

Reports of stock shortages at suppliers were a key factor behind a further lengthening of delivery times. That said, the rate of deterioration in vendor performance was marginal, and the least marked in the current six-month sequence of lengthening lead times.

Manufacturers upped their purchasing activity in July, but as with output and new orders, the rate of expansion weakened. The latest increase was the slowest in 17 months. Stocks of purchases rose slightly, with the rate of accumulation easing for the second month running.

Manufacturers remained confident that output will increase over the coming 12 months, thanks to

predictions of higher new orders and planned expansions. Sentiment rose to a three-month high as close to 50% of panellists predicted an increase in production.

Comment:

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

“Output growth in the Vietnamese manufacturing sector was the weakest in nine months during July, continuing the recent trend of more moderate expansion relative to earlier in 2017. New order growth also slowed. It’s not all doom and gloom, however. The rate of expansion in new orders remained solid. Meanwhile, the fact that backlogs of work rose at the fastest pace in over six years, and inventories of finished products fell, suggests that firms will be looking to increase their output in coming months.”

“The recent price trends were also repeated in July. Cost inflation has eased sharply since March’s recent peak, and was the slowest in over a year. Meanwhile, firms lowered their output prices for the third month running accordingly.”

-Ends-

Nikkei Vietnam Manufacturing PMI® is sponsored by **NIKKEI**

Nikkei is a media organization with newspaper publishing at its core. Our flagship daily newspaper, The Nikkei, has approximately three million subscribers. Nikkei's multi-platform media distribution also includes online, broadcast and magazines.

The Nikkei marks its 140th anniversary this year. Since our founding in 1876 as the Chugai Bukka Shimpo (Domestic and Foreign Prices News), we have consistently provided high-quality reporting while maintaining fairness and impartiality. The Nikkei brand has become synonymous with trustworthiness at home and abroad.

Nikkei Inc. offers a range of media platforms to satisfy the diverse needs of our readers. At the core of these services is The Nikkei which has a circulation of approximately three million. Adding further depth to our offerings are our premium content and strong digital technology. The number of paying subscribers to the Nikkei Online Edition, which was launched in 2010, has surpassed 400,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Five years after its creation, the online edition is set to evolve from a medium for providing news to readers into a tool that helps people advance their careers.

In 2013, we kicked off the Nikkei Asian Review, an English-language news service provided both online and as a weekly print magazine. The following year, we established an Editorial Headquarters for Asia in Bangkok to deepen our coverage of Asian economic news. In addition, we doubled the number of reporters stationed in Asia outside Japan. 2014 also saw the launch of Nikkei Group Asia Pte., a new company in Singapore tasked with spreading the Nikkei brand in the region. Our goal is to make Nikkei the leading media voice in Asia.

<http://www.nikkei.co.jp/nikkeiinfo/en/>

NIKKEI ASIAN REVIEW <http://asia.nikkei.com/>

INTRODUCING THE ONLY BUSINESS PUBLICATION THAT BRINGS YOU INSIGHTS ABOUT ASIA, FROM THE INSIDE OUT

With more reporters and contributors across the region than any other business publication, only Nikkei Asian Review can give you a view of business in Asia from the inside.

Stay abreast of the latest news, analysis and insights with a subscription to Nikkei Asian Review – available in print, online, and on your mobile and tablet device.



Asia300:

Providing extensive coverage of over 300 leading companies in 11 countries and regions in Asia. Nikkei Asian Review aims to build the largest hub for Asian corporate news through enhanced reporting backed by large database of business and financial information on companies in the region.



JAPAN UPDATE:

Keeping you up-to-date with business and news from Japan.



VIEWPOINTS:

Bringing views of leading minds on Asia from around the world, including our column "Tea Leaves" written by some of our best writers.



POLITICS & ECONOMY:

Looking at fiscal and monetary policy, international affairs and more



MARKETS:

Deep analysis if the markets, with detailed industry news to keep you abreast of some of the fastest growing sectors in the region.



Video:

Watch analysts explain our articles, catch interviews with top executives.



Print Edition:

Weekly delivery of the best content from Nikkei Asian Review to your home or office

For further information, please contact:

IHS Markit (About PMI and its comment)

Andrew Harker, Associate Director
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.

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.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2017 IHS Markit Ltd. All rights reserved.

About PMI

Purchasing Managers' Index™ (*PMI*®) surveys are now available for over 30 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/product/pmi.

The intellectual property rights to the Nikkei Vietnam Manufacturing *PMI*® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index*® and *PMI*® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Nikkei uses the above marks under license. IHS Markit is a registered trademark of IHS Markit Ltd.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).