

## Nikkei Vietnam Manufacturing PMI<sup>®</sup>

### Sharp rise in new orders amid record growth of exports

#### Key points:

- Fastest rise in new business since March 2017
- Sharper increases in output and employment
- Cost inflation accelerates, but output prices rise marginally

Data collected May 11-22

Business conditions improved solidly in the Vietnamese manufacturing sector during May. Moreover, new orders rose at a sharper rate than in April, helped by a record expansion in new export business. Growth of output and employment also picked up. Manufacturers raised their output prices only slightly in the latest survey period, thereby helping to secure sales. This was despite a sharp and accelerated increase in input costs.

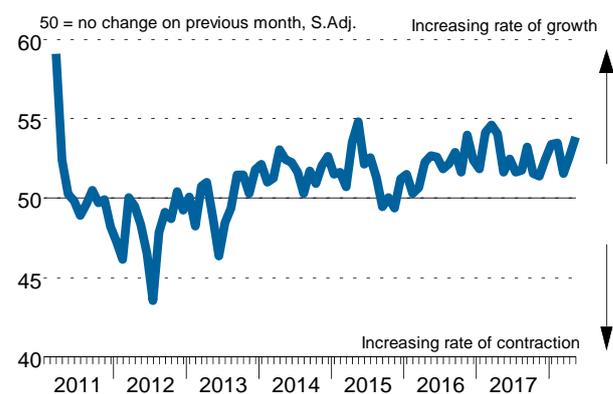
The headline Nikkei Vietnam Manufacturing Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>) – a composite single-figure indicator of manufacturing performance – rose to 53.9 in May from 52.7 in April. The latest reading signalled a solid improvement in the health of the sector, and the most marked since April 2017. Business conditions have now strengthened on a monthly basis throughout the past two-and-a-half years.

As has been the case in each month since December 2015, new business increased during May. Moreover, the rate of expansion was sharp and the fastest in 14 months. The increase in overall new orders was supported by the strongest rise in new business from abroad since the survey began in March 2011.

With new orders increasing, firms raised output accordingly. Production expanded at a solid pace, and one that was the fastest in three months. Output increased across all three broad sectors, with growth strongest in investment goods.

Higher new orders also fed through to an increase in backlogs of work. That said, the second successive rise in outstanding business was only slight.

#### Nikkei Vietnam Manufacturing PMI



Sources: Nikkei, IHS Markit

In line with higher new orders and output requirements, manufacturers increased their staffing levels at a faster pace in May. The rate of job creation was the sharpest since January.

The rate of growth in purchasing activity also quickened, and was the fastest since December 2016. The rise in input buying helped lead to an increase in stocks of purchases, with panellists reportedly building inventories to support future output growth. Stocks of finished goods also rose following a slight fall in April.

The rate of input cost inflation quickened to a three-month high in May amid higher fuel costs and rising supplier charges. The latest increase was stronger than the series average. On the other hand, firms raised their own selling prices only slightly, and to the least extent in the current nine-month sequence of inflation. Some panellists indicated that they had offered discounts in order to secure sales, limiting the upwards impact of higher input costs.

Suppliers' delivery times continued to lengthen at a marginal pace during May, with respondents often linking delays to raw material shortages.

Alongside faster increases in output and new orders, business confidence picked up in May. More than 52% of respondents expect a rise in production over the coming year, with confidence mainly linked to predictions of further new order growth.

## Comment:

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

*“A record rise in new export orders is the key highlight from the latest Nikkei Vietnam Manufacturing PMI, helping to drive growth across the sector. Output price inflation continued to ease as companies often favoured holding down prices to help secure sales rather than passing on sharp rises in input costs.”*

-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](mailto:economics@ihsmarkit.com).

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