

## Nikkei Vietnam Manufacturing PMI®

### Output rises at near-record pace in November

#### Key points:

- Sharp and accelerated rises in output and new orders
- Employment growth hits record high
- Unprecedented increases in inventories

Data collected November 12-22

Vietnamese manufacturing business conditions improved to one of the greatest extents in the near eight-year survey history during November amid strong and accelerated expansions of output and new orders. Inventory building was a feature of the latest survey, with record rises in stocks of both purchases and finished goods as firms prepared for future workloads. Employment also increased at a survey-high pace and business confidence jumped.

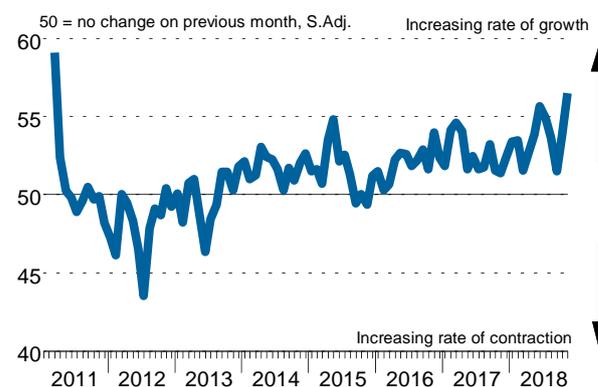
The headline Nikkei Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure indicator of manufacturing performance – rose to 56.5 in November, up from 53.9 in October and signalling a sharp monthly improvement in the health of the manufacturing sector. In fact, business conditions strengthened at the second-fastest pace in the survey's history, second only to the record seen in the first month of data collection.

The consumer goods sector was the strongest performer of the three broad sectors covered in the latest survey period, seeing the fastest rises in output, new orders and employment.

New orders increased sharply in November, with the rate of expansion quickening for a second month in a row. New export business, meanwhile, rose at the same marked pace as total new business.

Strong growth of new orders encouraged manufacturers to increase production. Moreover, the rate of output growth quickened to the fastest since March 2011. Output also looks set to increase further over the coming year as strong demand boosted manufacturers' confidence. Sentiment jumped from that seen in October and was the highest since February 2016.

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Sources: Nikkei, IHS Markit

There were signs of capacity pressures returning to the sector as backlogs of work increased for the first time in six months and to the greatest extent since August 2017.

Firms responded to greater workloads by taking on extra staff, and at a rapid rate. In fact, the pace of job creation was the fastest in the survey's history, surpassing the previous record seen in June.

Manufacturers increased their stocks of both inputs and finished goods at record rates as firms responded to higher new orders and prepared for likely further rises in sales in coming months. The accumulation of pre-production inventories was helped by a marked acceleration in the rate of growth of purchasing activity.

Higher raw material prices resulted in a further increase in input costs in November, and one that was the most marked in three months. Rising cost burdens led manufacturers to increase their selling prices, the first time in three months in which this has been the case.

A number of panellists mentioned that shortages of materials had contributed to higher prices for inputs, with supply issues leading some firms to report longer times for the delivery of inputs. That said, other manufacturers reported that their suppliers had been well prepared and reduced lead times. Overall, vendor delivery times were broadly unchanged.

**Comment:**

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

*“The Vietnamese manufacturing sector continued to defy recent signs of slowing demand elsewhere in the global economy during November, seeing a strong and accelerated increase in new orders and a near-record rise in output. Moreover, firms seem confident that the good news will continue, prompting them to build inventories and take on staff at the sharpest rates seen in the near eight-year survey history so far.”*

-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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