News Release

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Nikkei Vietnam Manufacturing PMI™

Output growth quickens to 22-month high

Key points:

- Sharper rise in production as new orders increase strongly again
- Employment growth at six-month high
- Fastest increase in input costs since May 2011

Data collected March 13-23

The Vietnamese manufacturing sector ended the first quarter of the year on a positive note, with sharper growth of manufacturing output recorded in March amid another strong increase in new orders. Rising workloads led to a marked expansion of purchasing activity and the fastest gain in employment since September last year. Meanwhile, the rate of input cost inflation quickened to the sharpest in almost six years amid higher raw material prices.

The headline Nikkei Vietnam Manufacturing *Purchasing Managers' Index™ (PMI)™* – a composite single-figure indicator of manufacturing performance – posted 54.6 in March, up from 54.2 in February and signalling a solid monthly improvement in the health of the sector. Overall, the strengthening of business conditions was the most marked since May 2015.

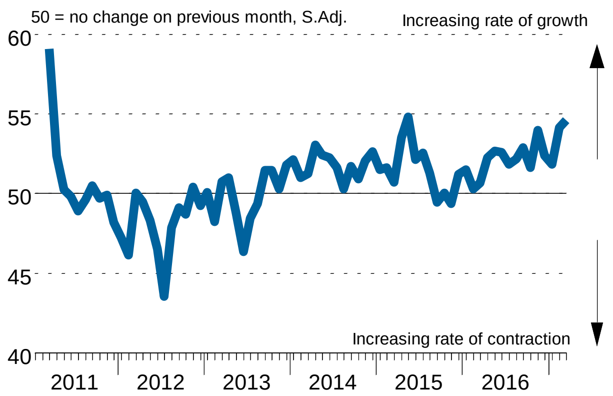
Improving client demand led to another sharp rise in new orders during March, with the rate of expansion little-changed from February's 21-month high. Meanwhile, the rate of growth in new export orders accelerated and was the fastest in 2017 so far.

With new orders increasing, firms raised production for the fifth month in a row. Moreover, the rate of expansion in manufacturing output was the sharpest since May 2015.

Backlogs of work increased for the third month running on the back of strong new order growth. However, the faster rise in production restricted the extent to which outstanding business accumulated. Higher output also contributed to a build-up of stocks of finished goods.

Firms took on extra staff to help boost production in March. Staffing levels rose markedly, and at the strongest pace since September last year.

Nikkei Vietnam Manufacturing PMI



Sources: Nikkei, IHS Markit

Manufacturers also reacted to higher new orders by increasing their purchasing activity, with input buying up sharply over the month. This resulted in a further rise in stocks of purchases, with some firms mentioning efforts to build reserves in order to support growth of production in the coming months.

The rate of input cost inflation quickened to the fastest since May 2011. According to respondents, rising prices for raw materials was the key factor behind increases in input costs, while higher oil prices and currency weakness were also mentioned as reasons.

The passing on of higher input costs to clients led to a further rise in output prices, the seventh in as many months. That said, the rate of inflation eased slightly from that seen in February.

Supply shortages and transportation issues led to a second consecutive monthly lengthening of suppliers' delivery times. Although modest, the latest deterioration in vendor performance was the most marked since January 2016.

Manufacturers remained strongly confident that output will increase over the coming 12 months, with close to 63% of panellists forecasting growth. Predictions of higher new orders, as well as business expansion plans, were behind the positive outlook.

Comment:

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

"The positive PMI data for March completes the strongest quarter that we have seen since the survey began in early-2011. Particularly pleasing in the latest month was a near-record increase in employment as companies maintained optimism that workloads will continue to expand in the near-term at least.

"The manufacturing industry therefore looks set to continue to be a key driver of GDP growth in the first quarter and hopefully throughout 2017, for which IHS Markit forecasts a rise of 6.4%."

-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.

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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