

# News Release

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## S&P Global Vietnam Manufacturing PMI<sup>®</sup>

### Manufacturing downturn gathers pace at end of 2022

#### Key findings

Sharper reductions in output and new orders

Firms scale back employment and purchasing activity

Output prices lowered for second month running

The final month of 2022 saw the Vietnamese manufacturing sector move deeper into contraction amid deteriorating demand both domestically and abroad. In turn, firms scaled back their employment and purchasing activity, while business confidence remained muted.

There were some signs of cost inflationary pressures returning, but the latest rise in input prices remained well below those seen earlier in the year, enabling firms to lower charges to customers as part of efforts to secure greater new business volumes.

The S&P Global Vietnam Manufacturing Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>) dropped to 46.4 in December from 47.4 in November, posting below the 50.0 no-change mark for the second month running and thereby signalling a further deterioration in business conditions in the manufacturing sector. The latest decline was the most marked since the pandemic-related downturn seen in the third quarter of 2021.

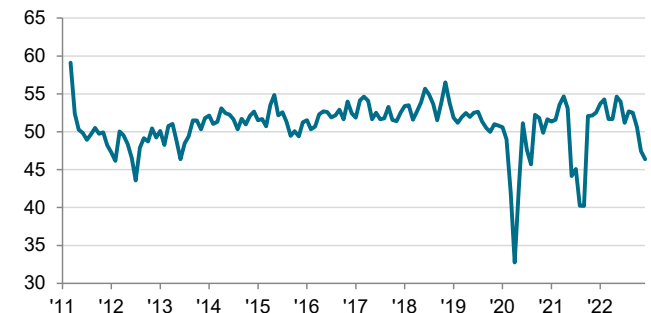
New orders were down solidly in December, falling for the second month running and to a greater extent than in November. Generally weak demand conditions were highlighted, with a number of key export markets mentioned as sources of weakness. These included Mainland China, the EU and US, with this weakness leading to a second successive reduction in new export orders.

Manufacturers responded to lower new orders by scaling back production, also for the second month running. Moreover, the rate of contraction was sharp and the most pronounced since September 2021, with the drop in output outpacing that seen for new orders. As a result, backlogs of work ticked higher, ending a four-month sequence of depletion.

With production requirements falling amid lower new orders, firms reduced their staffing levels accordingly. Employment decreased at a marked pace, and one that was the sharpest in 14 months.

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 6-15 December 2022.

#### Comment

Andrew Harker, Economics Director at S&P Global Market Intelligence, said:

*"The Vietnamese manufacturing sector continued to struggle in December, in part due to subdued demand conditions in the key export markets of Mainland China, the EU and US. Securing new work is likely to remain difficult until there is a pick-up in these markets, with a number of firms indicating that they expect demand to remain subdued in the near-term at least."*

*"Manufacturers have responded quickly to the downturn in new orders, with the latest PMI data showing sharper reductions in output, employment and purchasing activity, as well as price cuts to try and stimulate demand. S&P Global Market Intelligence is predicting a rise of 6.8% in industrial production for 2023, which would represent a slowdown from 2022."*

PMI<sup>™</sup>

by S&P Global

Manufacturers also cut their input buying, but stocks of purchases accumulated for the first time in three months as output fell to such an extent that inputs were often held in stock rather than being used in the production process. The steep drop in output meanwhile contributed to a reduction in stocks of finished goods.

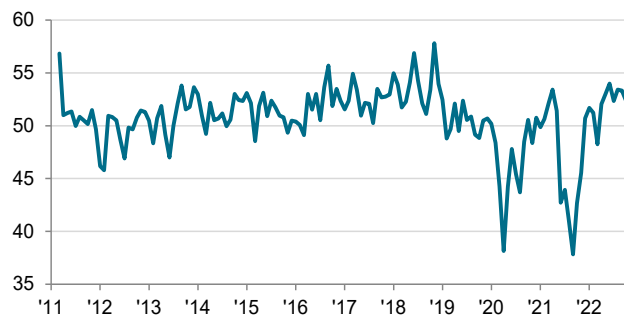
Input costs increased at the fastest pace in five months, albeit one that was still relatively modest and much slower than seen earlier in the year. Where input prices rose, panellists mentioned higher costs for raw materials, gas and shipping. Meanwhile, suppliers' delivery times lengthened for the second month running, but only marginally.

With cost inflation relatively muted, firms were able to lower their selling prices for a second successive month as part of attempts to boost customer demand.

After having dropped to a 14-month low in November, confidence in the year-ahead outlook for production remained relatively muted in December, despite improving slightly. Some panellists were concerned that challenging market conditions would persist during 2023. On the other hand, a number of respondents expressed optimism that demand will recover, leading to growth of new orders and output.

### PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global.

### Contact

Andrew Harker  
Economics Director  
S&P Global Market Intelligence  
T: +44-1491-461-016  
[andrew.harker@spglobal.com](mailto:andrew.harker@spglobal.com)

SungHa Park  
Corporate Communications  
S&P Global Market Intelligence  
T: +82 2 6001 3128  
[sungha.park@spglobal.com](mailto:sungha.park@spglobal.com)

If you prefer not to receive news releases from S&P Global, please email [katherine.smith@spglobal.com](mailto:katherine.smith@spglobal.com). To read our privacy policy, click [here](#).

### Survey methodology

The S&P Global Vietnam Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in March 2011.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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