

News Release

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S&P Global Vietnam Manufacturing PMI[®]

Rate of job creation hits three-and-a-half year high

Key findings

Employment rises on back of higher workloads

Solid increase in output

Inflationary pressures remain elevated

The Vietnamese manufacturing sector ended the first half of 2022 firmly in expansion mode as a lack of disruption from the COVID-19 pandemic supported demand and production. Firms were also increasingly successful in efforts to hire additional staff, with the rate of job creation quickening to a three-and-a-half year high.

Issues with global shipping and COVID-19 restrictions in Mainland China meant that suppliers' delivery times continued to lengthen markedly, while inflationary pressures remained elevated.

The Vietnam Manufacturing Purchasing Managers' Index™ (PMI[®]) posted 54.0 in June, down slightly from 54.7 in May but still signalling a solid monthly improvement in the health of the sector. Business conditions have now strengthened in each of the past nine months.

Further marked increases were seen in both output and new orders at the end of the second quarter, as relative market stability due to a lack of pandemic disruption enabled demand to grow. Rates of expansion were particularly pronounced in the consumer goods category.

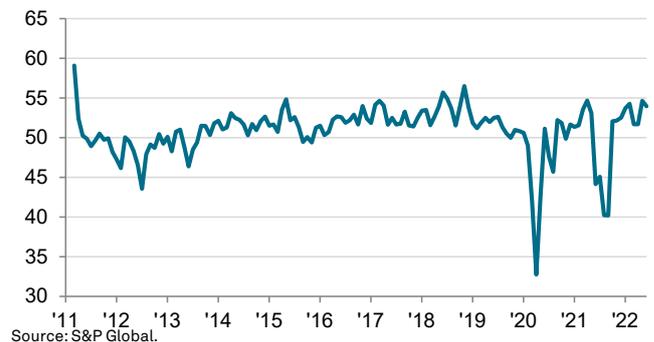
Meanwhile, growth of new export orders quickened to the fastest pace in four months, despite some reports that shipping difficulties had limited opportunities to export.

Rising new orders encouraged manufacturers to expand workforce numbers again during June, extending the current sequence of increasing staffing levels to three months. Furthermore, firms were increasingly successful in their efforts to recruit extra staff and the rate of job creation quickened to the fastest in three-and-a-half years.

Increased staffing capacity enabled firms to keep on top of workloads, with backlogs reduced for the second time in the past three months. Meanwhile, the shipping of finished items to customers meant that post-production inventories decreased again in June.

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 13-22 June 2022.

Comment

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

"The Vietnamese manufacturing sector ends the first half of 2022 in good health, with firms feeling that they've seen the back of the pandemic and are able to generate new business at a solid rate."

"The main positive from the latest PMI survey was around employment, which increased at the fastest pace in three-and-a-half years. This shows that the difficulties firms were facing getting hold of staff around the turn of the year have eased, and means that manufacturers are able to respond quickly to customer requests and keep on top of workloads."

PMI[™]

by S&P Global

Input costs continued to rise sharply, with the rate of inflation quickening from that seen in May. A range of factors added to cost burdens, according to panellists, most notably higher gas and oil prices. Rising charges for shipping and freight and higher raw material prices were also mentioned.

Higher costs for energy and shipping in particular were behind a further increase in selling prices. The rate of inflation softened, but was still marked and well above the average since the series began in March 2011.

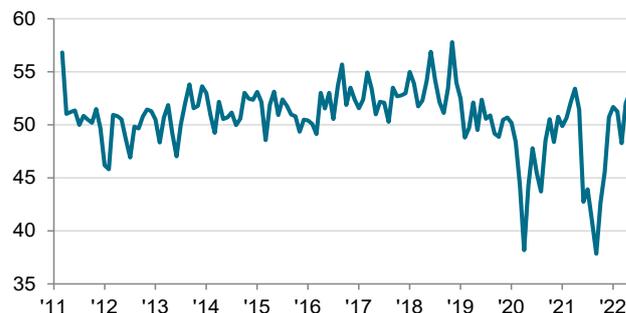
Continued supply-chain disruption was also a feature of the latest survey, although lead times lengthened to a lesser extent than in May. Where delivery delays were reported, firms linked this to COVID-19 lockdowns in Mainland China, shipping issues, price rises and material shortages.

A further solid rise in purchasing activity was registered in June as firms responded to higher new orders. These purchased inputs were often used to directly support production, meaning that stocks of purchases continued to fall slightly.

Manufacturers expect the pandemic to remain under control, leading to stable market conditions and increasing production over the next 12 months. More than half of all respondents predicted a rise in output, with confidence above the series average.

PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global.

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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.

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