

News Release

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S&P Global Vietnam Manufacturing PMI[®]

Manufacturing output returns to growth in October

Key findings

Recovery from impact of Typhoon Yagi gets underway

Renewed increases in output and new orders

Some disruption to supply chains and production remains

October data showed that the Vietnamese manufacturing sector started to recover from the effects of September's typhoon, recording renewed increases in both output and new orders. Some of the impacts of the storm and flooding lingered into October, however, limiting output growth and causing supplier delivery delays plus a build-up of outstanding business.

Rates of inflation of both input costs and output prices quickened, but remained muted.

The S&P Global Vietnam Manufacturing Purchasing Managers' Index™ (PMI[®]) posted 51.2 in October, up from 47.3 in September and back above the 50.0 no-change mark following the disruption caused to the sector by Typhoon Yagi in the previous month. Business conditions have now strengthened in six of the past seven months, although the improvement in October was only modest.

Central to the renewed strengthening of the health of the sector were returns to growth of both production and new orders as the recovery from the typhoon got underway. In each case, however, rates of expansion were softer than in the months leading up to September as some firms continued to face disruption following the storm and associated flooding.

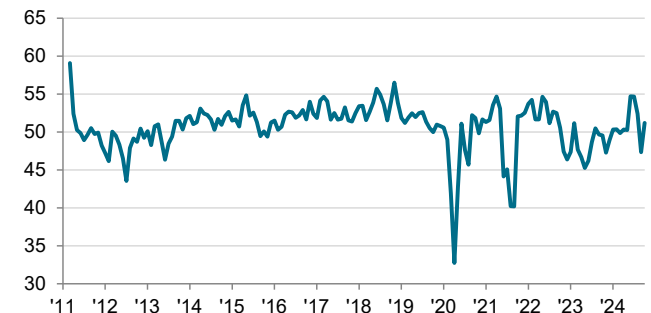
Alongside the rise in total new business, new export orders also increased in October. That said, the rate of expansion was only marginal amid some reports of subdued international demand.

With some firms reportedly still operating below full capacity due to the impacts of the typhoon, backlogs of work accumulated for the fifth month running, albeit to a lesser extent than the two-and-a-half year high posted in September.

Manufacturers continued to use stocks of finished goods to help fulfil orders at a time when production was partly hampered. Post-production inventories decreased at the

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 10-23 October 2024.

Comment

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

"October data showed that the recovery from the disruption caused by Typhoon Yagi got underway during the month, with firms seeing a rise in new orders and being able to expand their production. Some companies are still suffering from the effects of the storm, however, limiting rates of expansion. We should hopefully therefore see growth pick-up as more manufacturers get back up to full capacity towards the year end."

PMI[®]

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fastest pace in three months.

Meanwhile, employment ticked down, reversing the rise seen in the previous month. Some firms reported that resignations had caused a drop in their staffing levels.

Suppliers' delivery times lengthened for the second month running in October as storm disruption continued to affect transportation. Lead times lengthened to a lesser extent than in September, however.

Purchasing activity returned to growth amid higher new orders and expected increases in production in the months ahead. That said, the rate of expansion was only marginal as some firms reported that they had sufficient holdings of inputs.

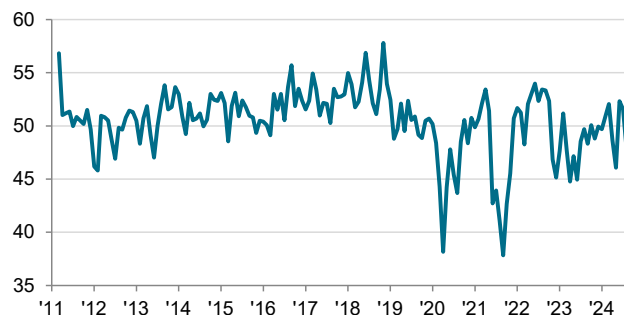
Stocks of purchases continued to fall as inputs were used to support growth of production. That said, the rate of depletion was much weaker than the near-record seen in the previous survey period.

Manufacturers reported a rise in input costs amid currency weakness and higher prices for oil, metals and transportation. In turn, firms increased their own selling prices. The rate of charge inflation was only slight, however, as some respondents indicated that competitive pressures had led them to offer discounts.

Rising sales, hopes for stable market conditions and business expansion plans all contributed to positive expectations regarding manufacturing production over the coming year. That said, optimism dipped to a nine-month low and was weaker than the series average. Some firms indicated that uncertainty around the US Presidential Election had dampened confidence.

PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

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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@spglobal.com.

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