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# IHS Markit Vietnam Manufacturing PMI®

## Manufacturing output returns to growth in June

### Key findings

New orders increase at solid pace

Renewed expansion in production

Employment continues to fall

Data were collected 12-22 June 2020.

The Vietnamese manufacturing sector returned to growth in June as success in suppressing the coronavirus disease 2019 (COVID-19) and greater business confidence helped lead to renewed expansions in output and new orders. Purchasing activity also increased, but employment continued to fall.

Meanwhile, input costs increased for the first time in three months, while output prices decreased marginally.

The Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) posted 51.1 in June, up from 42.7 in May and above the 50.0 no-change mark for the first time in five months. The reading represented a continuation of the recovery seen since the PMI hit a record low in April.

New orders increased for the first time in five months, and at a solid pace that was the fastest in just under a year. Respondents indicated that the COVID-19 pandemic being brought under control in Vietnam had contributed to rising new business. Both the consumer and intermediate goods sectors posted expansions in new business, but investment goods orders continued to fall.

While total new orders increased, new export business declined again amid restrictions on international movement and customer closures in some export markets.

A renewed rise in production was also signalled in June, driven by the consumer goods sector.

Despite new orders increasing at the end of the second quarter, there was continued evidence of spare capacity in the sector. Backlogs of work fell again, while staffing levels were reduced for the fifth month running. That said, the pace of decline in staffing levels was the weakest since February.

Efforts to expand production led firms to accumulate stocks of

*continued...*

Vietnam Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

Commenting on the latest survey results, Andrew Harker, Economics Director at IHS Markit, said:

"The Vietnamese manufacturing sector returned to growth in June, thanks to COVID-19 being brought under control and subsequent improvements in customer demand within Vietnam. The main hurdle to a strengthening recovery is likely to be the performance of the global economy, which is still suffering due to the virus. New export orders continued to fall, while firms again cited difficulties in securing inputs from abroad.

"Moreover, COVID-19 appears to have taken a large toll on the economy in recent months. IHS Markit currently forecasts GDP to rise by just 1.0% in 2020, well down on the 7.0% increase seen in 2019."

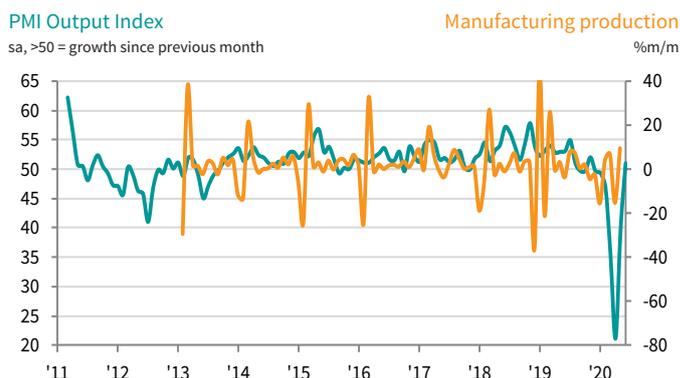
purchases, facilitated by a marginal rise in purchasing activity. Moreover, pre-production inventories increased to the greatest extent since November 2018. Stocks of finished goods also expanded, partly reflecting delays in the shipment of finished products.

Firms signalled a rise in input costs for the first time in three months during June. Where input prices increased, respondents linked this to the scarcity of certain materials. That said, the rate of inflation was softer than the series average as suppliers responded to relatively weak demand for inputs.

While some firms reacted to higher input costs by increasing their own selling prices, others continued to reduce charges amid demand weakness. Selling prices fell for the fifth month running, but at a marginal pace that was the slowest in this sequence.

Panellists reported continued issues in supply chains as a result of the COVID-19 pandemic, particularly with regard to imported items. Suppliers' delivery times lengthened for the seventh consecutive month, albeit to the least extent since January.

Confidence that COVID-19 is under control in Vietnam and that new orders will expand supported optimism that production will increase over the coming year. Sentiment strengthened sharply for the second month running and was the highest since January.



Sources: IHS Markit, General Statistics Office of Vietnam.

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## Methodology

The IHS Markit Vietnam Manufacturing PMI® is compiled by IHS Markit from responses to monthly 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.

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.

June data were collected 12-22 June 2020.

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

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## About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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