

News Release

Embargoed until 0730 ICT (0030 UTC) 2 October 2023

S&P Global Vietnam Manufacturing PMI[®]

Output falls despite sustained growth of new orders

Key findings

Slight decline in production

New orders rise, supported by solid increase in exports

Inflationary pressures strengthen

After improving in August, overall business conditions in the Vietnamese manufacturing sector declined marginally in September. Underlying data pointed to a strengthening demand environment and growing business confidence, but also a degree of spare capacity in the sector which led to reductions in output and employment.

Rates of inflation gathered pace, with both input costs and output prices rising more quickly at the end of the third quarter.

The S&P Global Vietnam Manufacturing Purchasing Managers' Index™ (PMI[®]) posted 49.7 in September, back below the 50.0 no-change mark following a reading of 50.5 in August. The index thereby signalled a deterioration in business conditions for Vietnamese manufacturers, albeit one that was only marginal.

The most positive aspect of the latest survey was a second successive monthly increase in new orders, with the rate of expansion broadly in line with that seen in the previous survey period. A number of respondents signalled that strength in new export orders, particularly from other Asian economies, had helped to boost total new business. The rate of expansion in new sales from abroad was solid and more pronounced than that seen in August.

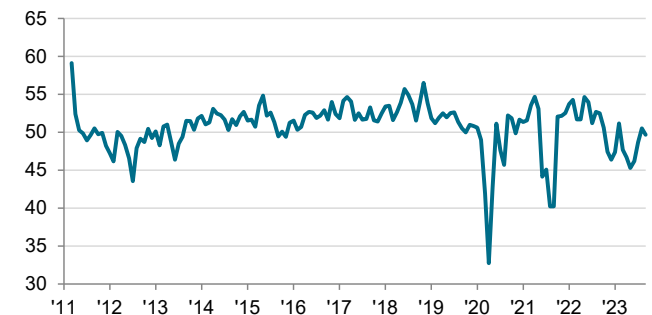
Despite the continued pick-up in demand, manufacturers signalled that new order receipts remained relatively modest, leading to a scaling back of production. Output was down slightly following August's rise, with production now having fallen in six of the past seven months.

The overall contraction in output was centred on intermediate goods producers, with the consumer and investment goods categories recording expansions.

A further reduction in backlogs of work in September signalled that manufacturers maintained sufficient capacity to cope with current workloads. As such, there remained a

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-21 September 2023.

Comment

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

"The picture was mixed in the Vietnamese manufacturing sector during September. On a positive note, firms continued to see demand pick up, with a particularly encouraging rise in new orders signalled. This fed through to greater confidence in the year-ahead outlook.

"On the other hand, there is clearly still some excess capacity in the sector, which meant that firms continued to lower employment and also scaled back output slightly, opting to use the inventories that had been building up in recent months to help meet new orders.

"The sector is therefore at something of a crossroads. Should demand continue to pick up, this should feed through to growth across the sector. If the recovery in new orders loses steam, however, firms will remain reluctant to expand capacity too quickly."

PMI[™]

by S&P Global

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reluctance to hire additional staff. Employment decreased for the seventh month running. Although modest, the rate of job cuts was the most marked since June.

While manufacturers lowered their staffing levels, they did expand their input buying. Purchasing was up for the second month running in response to growth of new orders and plans to increase output in the coming months.

These expansion plans were also evident in data on business confidence, which strengthened for the fourth consecutive month and was the highest since February. Firms expect new orders to improve further, thereby leading to output growth. Around 45% of respondents predicted output to rise over the coming year, against 7% that were pessimistic.

Although demand for inputs strengthened again in September, suppliers continued to speed up their deliveries. Lead times shortened for the ninth consecutive month, albeit to the least extent since April.

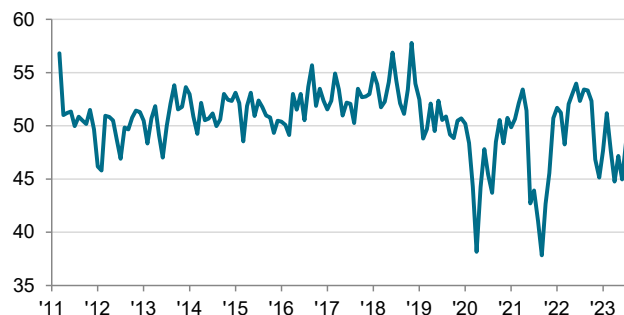
Stocks of both purchases and finished goods decreased at the end of the third quarter, in both cases for the first time in three months. Stocks of finished goods were used to help meet new export orders.

The rate of input cost inflation quickened, reaching a seven-month high. Rising fuel prices reportedly added to transportation costs, while increases in prices for oil and imported raw materials were also mentioned.

In turn, output prices rose for the second month running, albeit at a modest pace.

PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

Contact

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

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

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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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