

News Release

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S&P Global Vietnam Manufacturing PMI[®]

Production growth hits 13-month high

Key findings

Sharper rise in output amid pandemic recovery

Rate of job creation quickens

Delivery delays intensify

Growth accelerated in the Vietnamese manufacturing sector during May as the recovery from the latest wave of the COVID-19 pandemic earlier in the year continued. Sharp increases in output and new orders were recorded, while firms increased their purchasing activity and employment.

There were some issues related to the pandemic lockdowns in Mainland China which restricted export growth and caused further delivery delays. Meanwhile, inflationary pressures remained elevated but softened from April.

The Vietnam Manufacturing Purchasing Managers' Index[™] (PMI[®]) rose to 54.7 in May from 51.7 in April, signalling a marked monthly improvement in the health of the private sector midway through the second quarter. In fact, business conditions strengthened to the greatest extent in just over a year.

Manufacturing production continued to recover from the pandemic-induced decline seen in March, rising for the second month running in May. Moreover, the rate of growth was sharp and the fastest since April 2021.

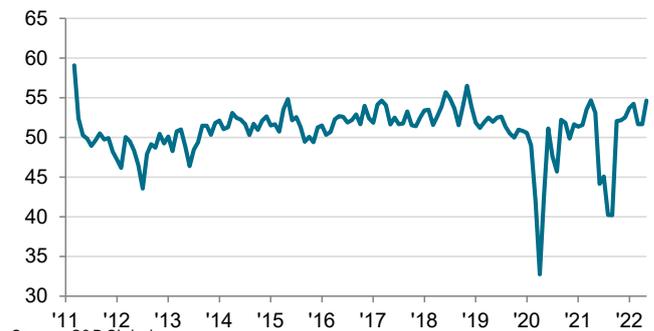
Firms often linked rising production to higher new orders, which likewise increased at a marked and accelerated pace during May amid improving customer demand. Growth of new export orders also quickened, but was softer than that seen for total new business amid some reports from panellists that lockdowns in Mainland China had restricted international demand.

Sustained growth of new orders meant that firms continued to re-build their staffing levels midway through the second quarter. Employment was up for the second month running and at a solid pace that was the fastest since April 2021.

Purchasing activity was also ramped up in response to new order growth, with the rate of expansion quickening to a three-month high. Despite a sharp rise in input buying, stocks of purchases continued to fall as inputs were used

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-23 May 2022.

Comment

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

"Vietnamese manufacturers are increasingly able to operate normally as pandemic disruption fades, with May seeing sharp accelerations in growth of output and new orders, in turn boosting employment and purchasing. There is also growing confidence that firms won't have to contend with COVID-19 issues going forward."

"That said, the lockdowns in Mainland China did impact on the sector in two principal ways - limiting export demand and causing further delivery delays. Firms will therefore hope that business in Mainland China can also return to normality soon, providing a further boost to the recovery in Vietnam."

PMI[™]

by S&P Global

in the production process. Pre-production inventories were down for the second month running, albeit marginally.

Stocks of finished goods were also lower, falling for the third successive month on the back of the use of inventories to help meet order requirements. The depletion was the joint-sharpest in ten months.

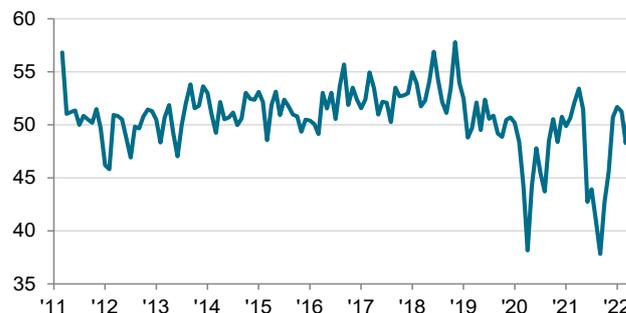
Rates of inflation remained elevated despite showing some signs of easing during May. Both input costs and output prices rose at the slowest rates in three months, but in each case inflation was still well above the series trend. Rises in costs for oil and gas were highlighted by respondents, with increased shipping charges also adding to inflationary pressures. In turn, firms passed higher prices on to their customers.

Aside from restricting growth of exports, the other main impact from the pandemic lockdowns in Mainland China on the Vietnamese manufacturing sector was delays in receiving inputs. Suppliers' delivery times lengthened sharply, and to a greater extent than in April. Panellists indicated that problems in supply chains were also caused by international shipping issues.

Confidence that there will be a lack of disruption from the COVID-19 pandemic over the coming year supported optimism in the outlook for production, with sentiment rising for the second month running to the highest since January.

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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