News Release

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S&P Global Vietnam Manufacturing PMI®

Production growth remains elevated in August

Key findings

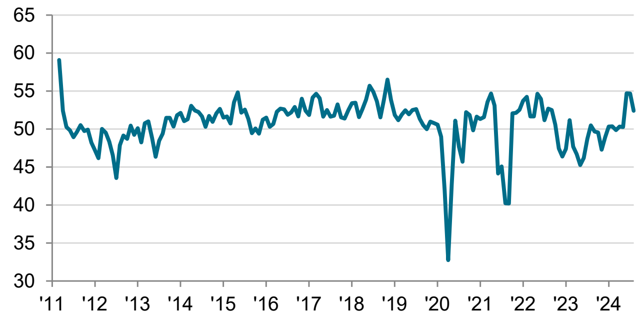
Continued marked increases in output and new orders

Inflationary pressures soften

Employment down for first time in three months

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-21 August 2024.

Vietnamese manufacturers registered further expansions in output and new orders midway through the third quarter. Although growth in each eased from the near records seen in July, rates of expansion remained strong nonetheless and prompted the most marked increase in purchasing activity in more than two years. Less positive was a first reduction in employment in three months, however.

Although both input costs and output prices continued to rise in August, reports of competitive pressures meant that the respective rates of inflation eased markedly over the month.

The S&P Global Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) posted 52.4 in August, down from 54.7 in July but still signalling a solid monthly improvement in business conditions midway through the third quarter. Operating conditions have now strengthened in each of the past five months.

The improvement in the health of the sector reflected further rapid increases in output and new orders, with the respective rates of expansion remaining sharp despite easing from the particularly elevated rates seen in June and July.

Improvements in customer demand resulted in growth of new orders, with firms raising production accordingly. In some cases, relative stability of prices had helped firms to secure new business, while there were also mentions of improving international demand. New export orders rose for the fifth month running.

The relatively stable price situation was also signalled by data on input costs and selling prices. While both continued to increase, rates of inflation slowed markedly from July to the weakest in four months.

Some manufacturers reported higher raw material prices, but the rate of inflation slowed amid signs of competitive pressures. Meanwhile, lower oil prices acted to reduce

Comment

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

"As expected, the Vietnamese manufacturing sector saw a slowdown in growth of output and new orders from the particularly elevated rates seen in June and July. Those increases were always going to be hard to sustain and rates of expansion remained marked, so there is little cause for concern on that front.

"One issue firms are facing is a drop in employment, which is making completing projects more difficult and adding to outstanding business. We will hopefully see a return to job creation in the coming months.

"The news was better in terms of inflation, with both input costs and output prices rising at much weaker rates in August. In fact, this was reportedly a factor contributing to sustained new order growth.

"Overall, the sector continues to enjoy a strong second half of the year so far, with plenty of work to get through in the months ahead."

transportation costs in some cases.

Strong growth of new orders and softer cost pressures led manufacturers to increase purchasing activity sharply during August. Moreover, the rate of growth quickened for the fourth month running to the fastest since May 2022.

Purchased inputs were often used directly to support production, meaning that stocks of purchases continued to fall. Stocks of finished goods were also down as inventories of completed products were delivered to customers to help satisfy order requirements.

In contrast to the picture regarding purchasing activity, manufacturers recorded a drop in employment for the first time in three months amid resignations and the ending of some temporary contracts.

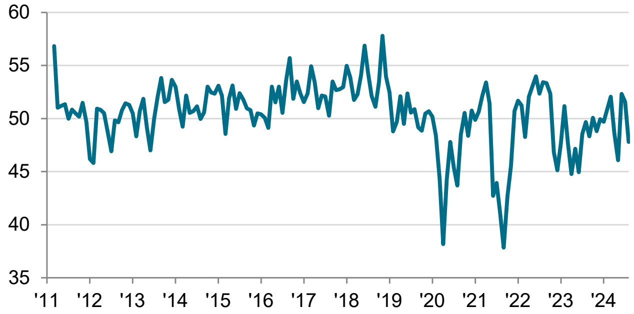
The drop in workforce numbers at a time of rising new business meant that backlogs of work continued to accumulate in August. Outstanding business increased for the third month running, with the rate of expansion unchanged since July.

Suppliers' delivery times shortened for the third month running, albeit only marginally amid some reports of international shipping delays.

Manufacturers remained optimistic that output will increase over the coming year, based on expectations of further improvements in customer demand and new orders. Sentiment dropped for the second month running, however, and was the lowest since January.

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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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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. www.spglobal.com/marketintelligence/en/mi/products/pmi

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