News Release

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S&P Global Vietnam Manufacturing PMI®

Decline in new orders softens as exports return to growth

Key findings

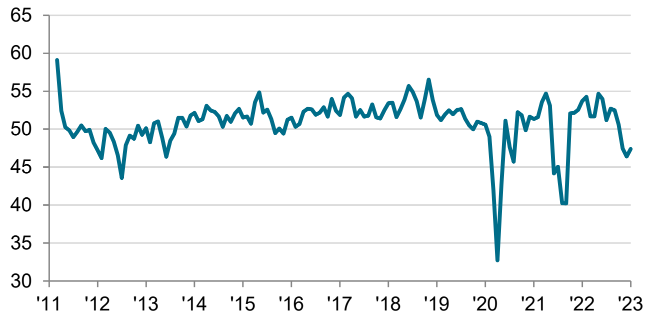
Output and new orders fall again, but at weaker rates

New export business up for first time in three months

Cost inflation at six-month high

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-23 January 2023.

The Vietnamese manufacturing sector continued to face challenging business conditions in the opening month of 2023. Production and new orders continued to decline. That said, there were some signs of improvement in demand as new business fell at a softer pace, helped by a renewed expansion in new export orders. Employment also decreased at a slower pace.

The rate of input cost inflation continued to accelerate, reaching a six-month high. In turn, firms increased their own selling prices for the first time in three months.

The S&P Global Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) posted 47.4 in January, up from 46.4 in December but still pointing to a solid monthly deterioration in the health of the manufacturing sector. Operating conditions have now worsened in each of the past three months.

January data signalled a further marked decline in manufacturing production, albeit one that was slightly softer than seen in December. Lower new orders were often behind falling output, with some firms indicating that customers had sufficient stock holdings and so didn't need to purchase at present.

Total new orders were down for the third month running in January as demand conditions remained challenging. That said, there were some signs of improvement, particularly with regards to new export orders which rose for the first time in three months. As such, total new business fell at a modest pace that was the softest in the current period of decline.

In line with the picture from a number of other indicators from the survey, employment fell at a weaker pace at the start of the year. Staffing levels were down for the third month running amid lower output requirements. Meanwhile, backlogs of work decreased in January, after having risen in December, and stocks of finished goods fell to the greatest

Comment

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

“Although demand conditions for Vietnamese manufacturing firms remained challenging at the start of 2023, leading to further declines in output, new orders and employment, there were some more positive signs from the latest PMI survey. One of the main positives in January was a renewed expansion in new export orders, with the decline in total new business softening as a result.

“The loosening of COVID-19 restrictions in Mainland China, plus signs that downturns in Europe and the US may be less severe than feared, provided optimism that growth in Vietnam could be around the corner. Indeed, business confidence improved to a three-month high at the start of the year. S&P Global Market Intelligence is forecasting a rise in industrial production of 6.6% in 2023."

extent since June 2021.

The rate of input cost inflation accelerated for the fifth successive month in January to the fastest since last July. Where input prices rose, panellists mentioned higher supplier charges, increased import costs and a rise in taxes. Consumer and intermediate goods firms saw input prices rise, but investment goods producers posted fall.

Faster increases in input costs led manufacturers to raise their own selling prices at the start of the year, having made efforts to reduce charges in the final two months of 2022. Selling prices were up modestly, with the pace of increase the fastest in six months.

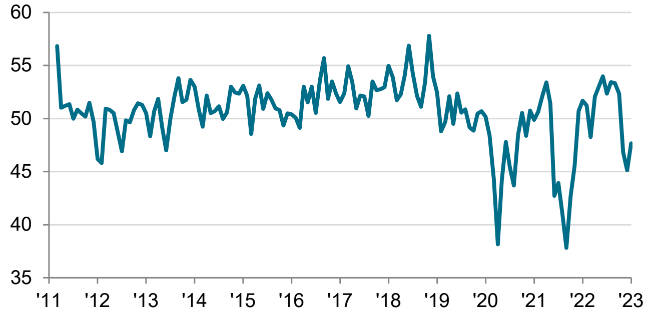
The cost of raw materials, alongside falling workloads, meant that some firms lowered their purchasing activity again in January. That said, some signs of improvement in demand conditions encouraged other manufacturers to expand input buying, so that overall purchasing activity was broadly unchanged. Declines in the purchasing of inputs in previous months, however, led to a reduction in stocks of purchases.

Suppliers' delivery times shortened marginally, following slightly longer lead times in the two preceding months. Muted demand for inputs helped suppliers to speed up deliveries.

Business confidence improved to a three-month high amid hopes that demand conditions will strengthen over the course of the year, feeding through to growth of output. The relaxation of pandemic restrictions in Mainland China was another factor behind the positive outlook. More than half of respondents were optimistic that production will rise over the next 12 months.

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.

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. ihsmarkit.com/products/pmi.html.

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