

News Release

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S&P Global Vietnam Manufacturing PMI[®]

Selling prices raised only fractionally as part of efforts to stimulate demand

Key findings

Softest increase in charges in five months

New orders and output continue to fall

Employment broadly stable

The Vietnamese manufacturing sector ended 2023 in contraction mode, according to latest S&P Global PMI[®] data. Weak demand contributed to a second successive monthly fall in new orders, with output scaled back accordingly. Meanwhile, purchasing activity and employment were broadly unchanged.

There were some reports that recent price rises had deterred customers, and firms responded by raising their charges only fractionally in December despite a further marked increase in input costs.

The S&P Global Vietnam Manufacturing Purchasing Managers' Index™ (PMI) posted 48.9 in December, thereby remaining below the 50.0 no-change mark and signalling a fourth consecutive monthly decline in business conditions in the sector. That said, the index rose from 47.3 in November to point to a softer rate of deterioration. The health of the sector worsened through much of 2023, improving only in February and August. The average PMI reading across the year was the lowest since the COVID-19 pandemic outbreak in 2020.

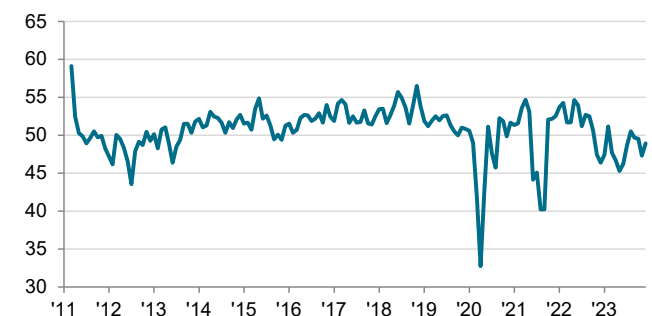
The latest decline in operating conditions again reflected a subdued demand environment, with total new orders down for the second month running in December. The pace of reduction eased from that seen in November, however, as new export orders neared stabilisation.

Anecdotal evidence suggested that recent price rises had deterred customers and contributed to the latest reduction in new orders. Responding to these signs, manufacturers limited the extent to which they raised their selling prices at the end of the year, hiking charges only fractionally and to the least extent in the current five-month sequence of inflation.

The marginal nature of the rise in selling prices contrasted with that seen for input costs, which continued to increase markedly and at a pace that was little-changed from the nine-month high seen in November. According to respondents,

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 06-14 December 2023.

Comment

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

"The final month of the year was indicative of the picture for much of 2023 in the Vietnamese manufacturing sector, with subdued demand limiting production volumes. Firms responded to demand weakness by restricting price rises in December to try and help stimulate new business. This was despite a further marked increase in their own input costs."

"Attention now turns to the prospects for 2024, with firms still optimistic on balance that output will expand. This led to broad stability of employment and purchasing activity despite the reductions in new orders, as manufacturers attempt to maintain capacity in the hope of better days to come."

PMI[®]

by S&P Global

higher input costs often reflected increases in prices for electricity and oil, plus exchange rate weakness.

With new orders decreasing in a challenging demand environment, manufacturers cut their production volumes again in December, extending the current sequence of decline to four months.

Firms predicted that output will expand over the course of 2024, thanks to hopes for a recovery in demand both domestically and in export markets, plus business expansion plans. Sentiment hit a three-month high but was still below the series average.

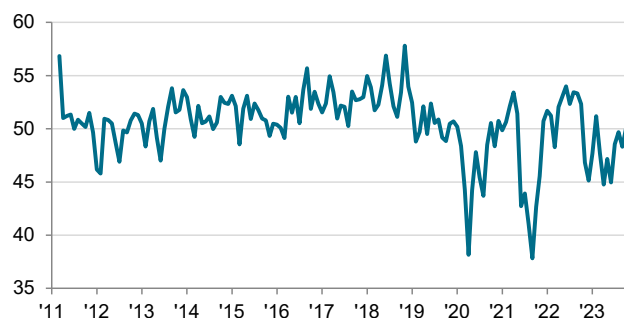
Hopes for growth of output in 2024 meant that firms kept their employment and purchasing activity broadly stable in December despite falls in new orders. In both cases, the broad stability at the end of the year represented an improvement from modest reductions in November. Stocks of inputs were scaled back for the fourth month running, however.

A lack of demand for inputs and competition among suppliers meant that lead times on the delivery of purchased items continued to shorten. That said, the latest improvement was only marginal.

Stocks of finished goods were unchanged in December, after having fallen in three consecutive months to November. Some firms saw stocks of unsold products increase due to falling new orders, but others scaled back production accordingly to prevent a build-up of inventories. Meanwhile, backlogs of work increased for the first time in a year, and to the greatest extent since May 2022.

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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