

# News Release

Embargoed until 0730 ICT (0030 UTC) 1 November 2022

## S&P Global Vietnam Manufacturing PMI<sup>®</sup>

### New order growth eases to 13-month low

#### Key findings

Softer demand leads to weaker rise in new orders

Growth of output, employment and purchasing also ease

Inflationary pressures remain muted

Although business conditions in the Vietnamese manufacturing sector continued to improve at the start of the fourth quarter, there were signs of a slowdown amid weaker new order growth. In fact, new business increased to the least extent in over a year, leading to softer rises in output, employment and purchasing activity.

Meanwhile, cost pressures remained muted, with firms also raising their selling prices only slightly.

The S&P Global Vietnam Manufacturing Purchasing Managers' Index™ (PMI<sup>®</sup>) dropped to 50.6 in October from 52.5 in September. Although remaining above the 50.0 no-change mark and thus signalling an overall strengthening of operating conditions during the month, the latest reading was the lowest in the current 13-month sequence of improvement.

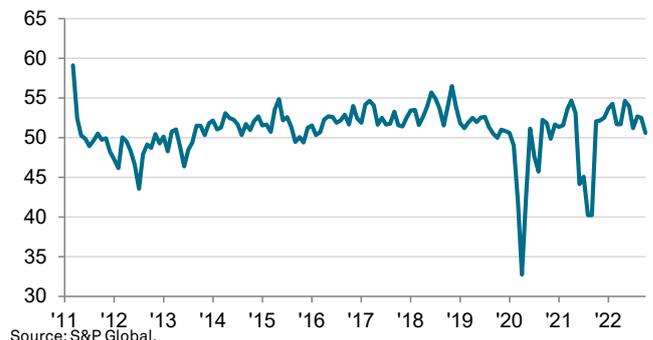
Central to the overall growth moderation in October was a softer increase in new orders. Total new business was up only slightly, and to the least extent since the current expansionary period began in October 2021. Where new orders increased, this was linked to stronger demand, competitive pricing and the securing of new customers. There were signs of demand waning, however, including with regards to exports which also increased at a softer pace.

Manufacturers continued to expand production at the start of the final quarter of the year in response to further improvements in new orders. That said, in line with the trend in new business and amid signs of demand softening, the rate of expansion eased and was at a three-month low. Rises in output were seen across consumer, intermediate and investment goods producers.

Softer increases in output and new orders were reflected in weaker growth of purchasing activity and employment in October. Input buying rose to the least marked extent in seven months, while the pace of job creation was the slowest since July. Staffing levels were still up solidly over

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-21 October 2022.

#### Comment

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

*"October PMI data provides us with the first signs that weakness in the global economy is starting to impact on growth at Vietnamese manufacturers, with both new orders and exports increasing at the weakest rates in 13 months. Worries around demand conditions also hit business confidence."*

*"That said, continued expansions in output and employment alongside muted price and supply pressures may help the sector remain in growth territory as the end of the year approaches."*

PMI<sup>™</sup>

by S&P Global

the month, however, contributing to a reduction in backlogs of work as softer new order growth meant a lack of pressure on capacity.

Stocks of both purchases and finished goods decreased in October, reversing the increases seen in the previous survey period. The decline in pre-production inventories was in fact the most marked in 16 months amid softer growth of new orders and purchasing, while stocks of finished goods were often depleted due to a slower expansion of production.

The rate of input cost inflation ticked higher, but remained relatively modest and much softer than seen earlier in the year. Those respondents that saw input prices rise linked this to higher costs for oil, gas, raw materials and transportation. Output price inflation also remained muted, and actually softened slightly from September.

For the third successive month, suppliers' delivery times shortened marginally in October, representing a continued stabilisation of supply chains following a sustained period of disruption. Softer growth of input buying reportedly reduced pressure on suppliers, although there were still some incidents of delays caused by material shortages and transportation issues.

Although expected improvements in new orders and a lack of COVID-19 disruption meant that manufacturers remained optimistic that output will rise over the year ahead, confidence dropped to a 13-month low amid some concerns around signs of waning demand.

### 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](mailto:economics@ihsmarkit.com).

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