News Release

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S&P Global Vietnam Manufacturing PMI®

New orders fall again, but to softest degree in five months

Key findings

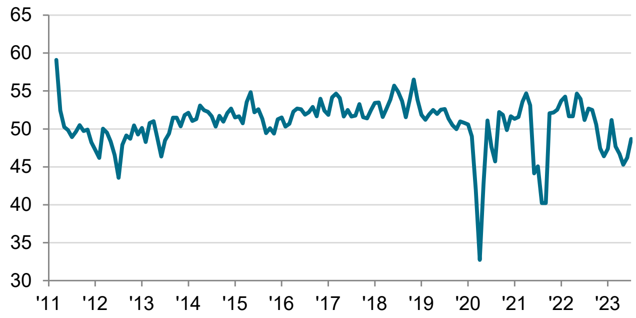
Slower reductions in output, new orders and employment

Inventory holdings accumulate

Input costs and selling prices fall further

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 12-21 July 2023.

The opening month of the third quarter of the year showed that the Vietnamese manufacturing sector remained in contraction territory but showed some signs of stabilisation. Softer declines were seen in output, new orders and employment, while business confidence picked up.

That said, the subdued business environment meant that inventories of unsold products and unused inputs built up in July. Meanwhile, prices continued to fall and supplier lead times shortened.

The S&P Global Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) rose to 48.7 in July from 46.2 in June. The latest reading signalled a fifth successive monthly deterioration in operating conditions, albeit one that was only modest and the weakest in this sequence.

The trend in the headline index was matched by a number of the survey's sub-indices in July, with rates of contraction in output, new orders and employment either the weakest or joint-weakest in the respective sequences of reduction which stretch back to March in all cases.

In particular, new orders decreased only marginally in July amid some signs of demand stabilising. That said, manufacturers signalled that demand remained subdued overall, particularly in export markets. Highlighting the particular weakness internationally, new export orders fell much more quickly than total new business. Some firms pointed to declines in new orders from European customers.

With new orders still declining, firms scaled back production again in July, although the alleviation of the problem of power outages which were prevalent in June contributed to the pace of contraction softening since the previous survey period.

Lower new orders meant that backlogs of work continued to fall in July, with the rate of depletion accelerating from that seen in June.

Comment

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

"The Vietnamese manufacturing sector remained under pressure in July, according to the latest PMI data, with firms again struggling to secure new business and scaling back output accordingly. Despite the latest drop in production, firms were still left with unsold stock, however. Meanwhile, there were again falls in prices and a shortening of suppliers' delivery times amid widespread spare capacity in the sector.

"On a more positive note, there were signs that demand may be stabilising as new orders fell at the softest pace in five months. Firms will be hoping that this may feed through to renewed growth of orders in the months ahead."

PMI™ by S&P Global

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Meanwhile, there were signs that the demand weakness across the sector contributed to an unwanted build-up of inventory holdings.

Stocks of finished goods rose for the first time in three months amid difficulties selling products, while stocks of inputs accumulated for the first time in the year-to-date as production was scaled back. The increase in stocks of purchases was recorded despite a fifth successive monthly decline in purchasing activity.

Manufacturers also lowered employment for the fifth month in a row, but at a modest pace.

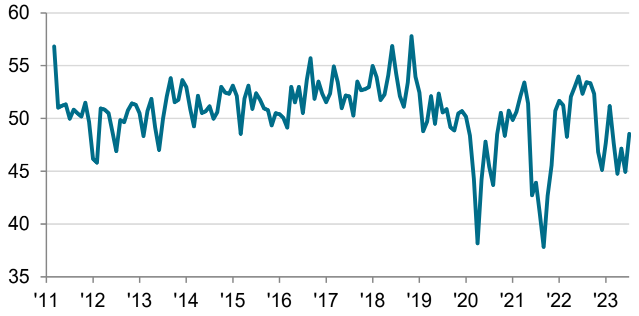
A lack of demand for inputs was the main factor behind a further marked shortening of suppliers' delivery times, while there were continued reports of reduced shipping disruption helping to speed up deliveries. Although less pronounced than that seen in June, the latest shortening of lead times was still among the largest on record.

Input costs decreased for the third consecutive month as suppliers responded to a lack of demand by offering discounts. In turn, Vietnamese manufacturers lowered their own selling prices as part of efforts to stimulate demand, and to a greater extent than seen for input costs. The solid reduction in charges was broadly in line with that seen in the previous survey period.

Business confidence picked up to a four-month high in July, but remained relatively muted. Firms hope that an eventual recovery in customer demand will feed through to renewed production growth, but remained concerned by the current challenges in securing new business.

PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

Contact

Andrew Harker
Economics Director
S&P Global Market Intelligence
T: +44-1491-461-016
andrew.harker@spglobal.com

SungHa Park
Corporate Communications
S&P Global Market Intelligence
T: +82 2 6001 3128
sungha.park@spglobal.com

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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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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. ihsmarkit.com/products/pmi.html.

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