

Nikkei Vietnam Manufacturing PMI®

December data completes positive year for Vietnam’s manufacturing sector

Key points:

- December PMI posts in line with 2018 average, the highest since the survey began in 2011
- Further solid rises in output and new orders
- Input costs decrease for first time in 34 months

Data collected December 5-13

Solid growth continued to be recorded in the Vietnamese manufacturing sector at the end of 2018. Although easing from the particularly strong rates seen in November, rates of expansion in output, new orders and employment were above the respective averages since the survey began in March 2011.

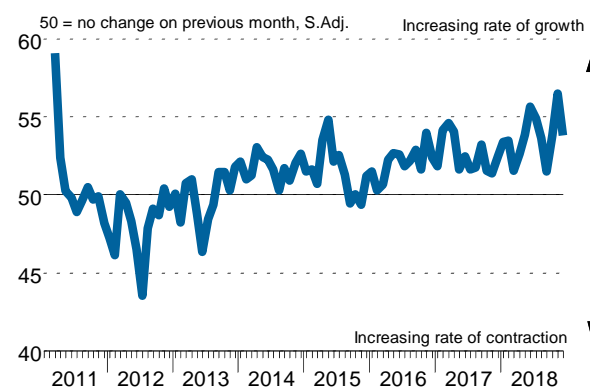
Meanwhile, input costs decreased for the first time in almost three years amid falls in the market prices of items such as oil and paper. Firms responded to lower cost burdens by lowering their output prices for the third time in the past four months.

The headline Nikkei Vietnam Manufacturing Purchasing Managers’ Index™ (PMI®) – a composite single-figure indicator of manufacturing performance – posted 53.8 in December, signalling a further solid improvement in the health of the Vietnamese manufacturing sector. Although down from November’s near-record reading of 56.5, the latest figure was in line with the average for 2018 as a whole. December rounded off a positive year for Vietnamese manufacturers, with the average PMI reading the highest for any calendar year since the survey began in 2011.

Output continued to increase in December, with growth softening from that seen in November but remaining solid nonetheless. The same was true for new orders, where a marked expansion was recorded that extended the current sequence of growth to 37 months. New export business also rose at a solid pace at the end of the year.

Recent strong rises in new orders imparted capacity pressure on manufacturers, with backlogs of work increasing for the second month running. Firms responded to greater workloads by taking on extra staff for the thirty-third consecutive month.

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Sources: Nikkei, IHS Markit

The softening of input cost inflation seen through much of the second half of the year gave way to an outright monthly fall in input prices during December. This was the first reduction in input prices since February 2016. There were reports from panellists of lower costs for items such as oil and paper.

With input prices decreasing, Vietnamese manufacturers lowered their output charges accordingly. Selling prices have now decreased in three of the past four months, with the latest reduction the most marked in almost three years.

Manufacturers generally expect output growth to continue over the coming year, with confidence linked to predictions of higher new orders and business expansion plans. Sentiment was broadly in line with the series average, having dipped from the near-record optimism seen in the previous month.

Positive expectations encouraged firms to increase their purchasing activity again in December, and at a marked pace. Efforts to build inventory reserves were also evident. Both stocks of purchases and finished goods increased at the end of the year, albeit to lesser extents than seen in November.

Comment:

Commenting on the Vietnamese Manufacturing PMI survey data, **Andrew Harker**, Associate Director at IHS Markit, which compiles the survey, said:

“The recent success of Vietnamese manufacturing firms in being able to generate strong new order growth continued in December. This meant that 2018 as a whole was the best calendar year for the sector since the PMI survey began in 2011 and leaves the industry well placed to have a positive 2019 despite headwinds elsewhere in the global economy.”

-Ends-

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Notes to Editors:

The Nikkei Vietnam Manufacturing *PMI*® is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by GDP and company workforce size. The manufacturing sector is divided into the following 8 broad categories: Basic Metals, Chemicals & Plastics, Electrical & Optical, Food & Drink, Mechanical Engineering, Textiles & Clothing, Timber & Paper, Transport.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Nikkei Vietnam Manufacturing *PMI*® is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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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. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

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