News Release

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S&P Global Vietnam Manufacturing PMI®

Output continues to rise, but signs of growth slowing

Key findings

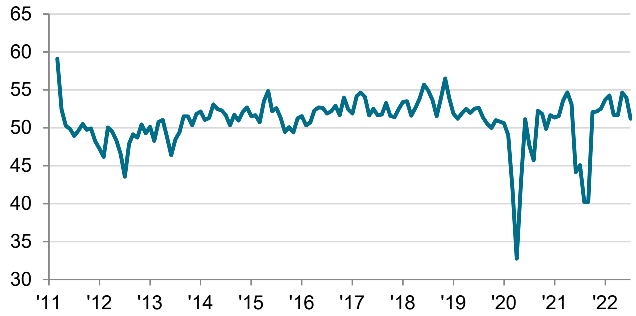
Softer increases in output and new orders

Fourth successive rise in employment

Rate of input cost inflation slows sharply

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-21 July 2022.

The Vietnamese manufacturing sector remained in growth territory at the start of the third quarter of the year, but there were some signs of demand softening. As such, output, new orders and employment all increased at weaker rates than in June.

Meanwhile, there were further signs that supply conditions are improving. Suppliers' delivery times lengthened to the least marked extent since September 2020, while rates of inflation slowed sharply.

The S&P Global Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) remained above the 50.0 no-change mark for the tenth successive month in July, signalling a further strengthening of business conditions. That said, at 51.2, down from 54.0 in June the index signalled a softer improvement.

New orders increased for the tenth month running, but the rate of expansion eased to the weakest since April. New export business rose solidly, meanwhile, and at a faster pace than total new orders.

Continued growth of new orders encouraged manufacturers to keep expanding production in July. Output rose for the fourth successive month. That said, the rate of expansion was only marginal and the softest in the current sequence of growth amid signs of demand softening, shipping difficulties and price pressures.

There were signs, however, of price and supply pressures easing at the start of the third quarter.

On prices, the rate of input cost inflation slowed sharply and was the weakest since October 2020 as the prices of some inputs fell on global markets. That said, the latest rise was still above the series average amid reports of higher costs for oil, gas and freight. Similarly, output prices continued to rise, but the rate of inflation slowed and was only modest.

Comment

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

"The recent burst of growth in the Vietnamese manufacturing sector gave way to a more modest expansion in July, but firms were still able to secure greater volumes of new orders and increase output and employment accordingly.

"Although there were some signs of demand softening, there were pleasing developments in terms of price and supply pressures. The rate of input cost inflation slowed sharply, while supply chains neared stabilisation. With these factors having provided serious headwinds for firms over a sustained period, signs of improvement should hopefully boost growth prospects."

PMI™ by S&P Global

Suppliers' delivery times neared stabilisation as the rate of lead time lengthening softened for the second month running to the weakest in 22 months. Where delays continued, this was linked to issues with shipping and rising transportation costs.

Manufacturers continued to expand their workforce numbers in line with higher output requirements, the fourth month running in which this has been the case. The rate of job creation was solid despite slowing from the three-and-a-half year high posted in June. Meanwhile, backlogs of work were unchanged following a decrease in the previous month.

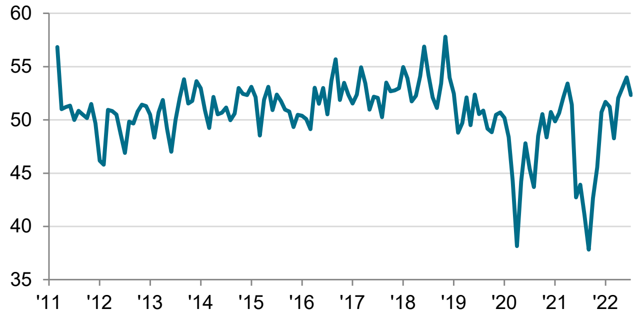
As well as taking on extra staff, firms also expanded their purchasing activity in July, due to rising new orders and efforts to build inventory reserves. Any attempts to accumulate stocks of purchases were in vain as pre-production inventories decreased at the sharpest pace in just over a year.

Stocks of finished goods also decreased, falling for the fifth month running and at a faster pace than in June. Some firms lowered inventories in response to slower new order growth, while others had found it easier to dispatch products for export.

Manufacturers remained optimistic that production will increase over the coming 12 months. Positive sentiment reflected hopes for further improvements in customer demand, stable market conditions, new product development and business investment. Close to 58% of respondents were optimistic in the outlook, while 11% were pessimistic.

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.

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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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