

News Release

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S&P Global Vietnam Manufacturing PMI[®]

Solid rebound in manufacturing new orders during April

Key findings

Production returns to growth on back of higher new orders

Price discounting recorded for second month running

Employment down for first time in three months

The Vietnamese manufacturing sector returned to growth in April as a solid expansion in new orders fed through to a renewed increase in production. Firms scaled back employment, however, and business confidence waned. Meanwhile, input costs continued to rise, but at a relatively muted pace. This enabled manufacturers to offer discounts to their customers again in an effort to attract new business.

The S&P Global Vietnam Manufacturing Purchasing Managers' Index™ (PMI[®]) rose back above the 50.0 no-change mark in April, posting 50.3 from 49.9 in March. The reading signalled a marginal improvement in the health of the sector, the third time in the past four months in which this has been the case.

The main positive from the latest survey was a rebound in new orders, which increased solidly following a fractional decline in the previous month. Moreover, the rate of expansion was the fastest since August 2022. Panellists reported improvements in market demand and success in securing new customers.

New export orders also returned to growth, but the latest rise was only marginal and softer than that seen for total new business.

Also helping manufacturers to register a rise in new orders was a second successive monthly reduction in selling prices amid efforts to price competitively and respond to requests from clients for discounts. The latest decrease in charges was the most marked in nine months.

Firms carried out price discounting in spite of a further increase in input costs, but the rate of input price inflation was relatively muted, thereby providing some space for firms to lower charges without incurring too much pressure on margins. Where input costs increased, panellists often mentioned higher oil and shipping prices. There were also some reports of rising sugar costs.

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 11-22 April 2024.

Comment

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

"There was a welcome return to growth of new orders in the Vietnamese manufacturing sector during April following recent weakness. There were some signs that the extent of the rebound perhaps took firms by surprise given that they had made the decision to release workers following the recent period of muted demand conditions, thus resulting in a build-up of backlogs. We could therefore see some of these workers brought back in the near future.

"More generally, the recent up and down nature of new order inflows was a concern for firms looking forward. We will hopefully see a more stable environment in the months ahead, helping manufacturers to plan production and resourcing effectively."

PMI[®]

by S&P Global

The solid expansion in new orders helped lead to a return to growth of manufacturing production in Vietnam. That said, the rate of expansion was only marginal.

Despite the pick-up in new orders and output in April, recent muted demand conditions led firms to scale back employment for the first time in three months, often reflecting the release of temporary workers.

That said, coming at a time when new orders rebounded, the reduction in staffing levels meant that firms found it harder to complete orders on time. As a result, backlogs of work increased for the first time in three months, albeit marginally.

Purchasing activity increased for the first time in six months in response to higher new orders, but the rate of expansion was only slight amid a reluctance among firms to hold inventories. In fact, stocks of purchases decreased solidly again, extending the current sequence of depletion to eight months.

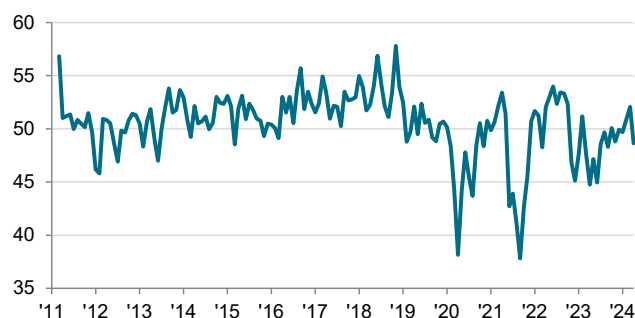
Stocks of finished goods also decreased, in part reflecting the need to satisfy the solid increase in new orders at a time of still muted production. The pace of reduction softened from that seen in March.

Suppliers' delivery times were unchanged in April, thereby ending a three-month sequence of lengthening lead times. Some firms indicated that stock holdings at suppliers were sufficient to help them speed up deliveries.

Recent market instability led to a drop in confidence, with sentiment down to a three-month low. That said, hopes for a more stable and positive demand environment in the months ahead supported optimism that output will increase over the coming year.

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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