

# News Release

Embargoed until 0730 ICT (0030 UTC) 5 September 2023

## S&P Global Vietnam Manufacturing PMI®

### First rise in new orders since February

#### Key findings

Renewed increases in output and new orders

Employment continues to fall marginally

Input costs and output prices rise

The Vietnamese manufacturing sector returned to growth during August as some signs of recovery in demand supported renewed increases in both new orders and production. Firms expanded their purchasing activity accordingly, but employment continued to fall marginally as firms were reluctant to take on extra staff given still fragile demand.

Renewed increases in prices were also recorded midway through the third quarter. Input costs rose for the first time in four months, while selling price inflation was signalled for the first time since March.

The S&P Global Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) moved back above the 50.0 no-change mark for the first time in six months during August. At 50.5, the index was up from 48.7 in July and pointed to a marginal monthly improvement in business conditions in the sector.

The nascent recovery in the health of the sector reflected tentative signs of demand improving. Manufacturers recorded a first increase in new orders for six months, while new export business also rose following a five-month sequence of decline. Growth rates were modest, however, amid some reports of ongoing demand fragility.

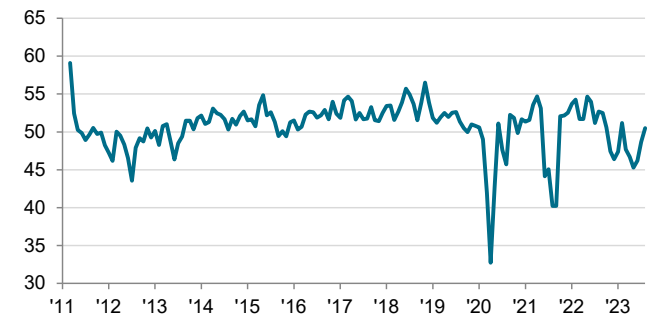
Similarly, manufacturing production returned to growth in August, ending a five-month period of falling output. The rate of increase was only marginal, however. Recoveries in output and new orders were most keenly felt in the investment goods category.

Firms responded to higher new orders and greater output requirements by expanding their purchasing activity at a solid pace. The rise was the first in six months and most pronounced since September 2022. In turn, stocks of purchases also increased, the second month running in which this has been the case.

The picture for employment was less positive, however, with

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 10-22 August 2023.

#### Comment

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

*"The latest S&P Global Vietnam Manufacturing PMI paints a more encouraging picture regarding the health of the sector than had been the case in recent months, with output, new orders, exports and purchasing all returning to growth. Improvements were generally still quite muted, however, as demand conditions remained fragile. It is probably too early to say, therefore, that the sector is in full recovery mode."*

*"Another key aspect from the latest survey was the end of the recent period of falling prices, with both input costs and selling charges up in August, often linked to higher oil prices."*

PMI™

by S&P Global

firms remaining hesitant to commit to hiring additional staff and thereby seeing a drop in workforce numbers for the sixth month in a row. That said, the pace of reduction was the weakest in this sequence and only marginal.

Ongoing reductions in employment reflected continued signs of spare capacity in the sector, with backlogs of work decreasing for the eighth consecutive month. Firms also recorded a build-up of stocks of finished goods for the second month running amid some reports that weak demand had left finished products unsold.

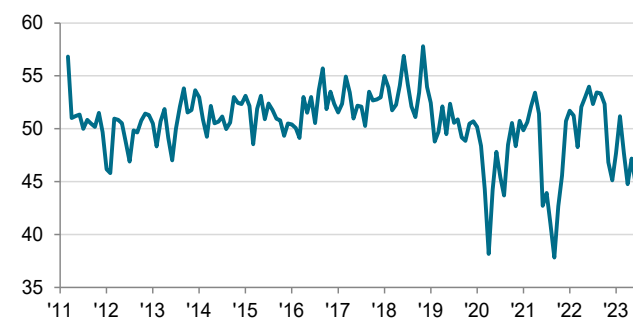
August data pointed to a solid increase in input prices, thereby ending a three-month period of decline. A number of panellists linked higher input costs to rising oil prices, while increased food prices were also mentioned. In turn, firms also raised their own selling prices, albeit only slightly. The increase in charges was the first since March.

Suppliers' delivery times shortened for the eighth successive month as stocks at suppliers remained sufficient to deal with orders despite a pick-up in demand for inputs during August. The improvement in vendor performance was solid, albeit the least marked since May.

Tentative improvements in market demand helped to strengthen business confidence midway through the third quarter, with firms hoping for a continued recovery in the months ahead. Optimism in the 12-month outlook for production was the highest in five months, but still below the series average amid ongoing concerns around the strength of demand.

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

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