

News Release

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S&P Global Vietnam Manufacturing PMI[®]

Slight fall in output amid muted new order growth

Key findings

Production falls for second month running

Employment stabilises

Input cost inflation at eight-month high

Overall business conditions in the Vietnamese manufacturing sector deteriorated slightly in October as firms continued to scale back production despite modest improvements in new orders. More positively, employment stabilised after a period of job shedding and firms continued to increase their purchasing activity amid optimism in the outlook for the year ahead.

A combination of higher oil prices and currency weakness led the pace of input cost inflation to accelerate for the second month running, with output prices increased accordingly.

The S&P Global Vietnam Manufacturing Purchasing Managers' Index™ (PMI[®]) remained below the 50.0 no-change mark during October, dipping to 49.6 from 49.7 in September. The reading signalled a second consecutive monthly deterioration in the health of the sector.

Central to the latest decline in business conditions was a further reduction in manufacturing output, the second in as many months. The latest fall was only slight as some firms increased production in line with new order growth, but on balance firms were able to cater to customer requirements without expanding their output.

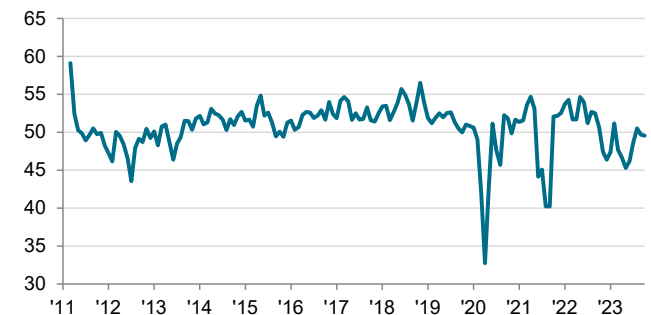
New orders increased for the third month running amid some signs of improvement in customer demand. That said, the rate of growth was only marginal and the weakest in the current sequence of expansion. Anecdotal evidence suggested that clients remained hesitant about committing to new orders.

Growth of new export orders also softened over the month, but remained more pronounced than that seen for total new business.

Employment was broadly unchanged at the start of the final quarter of the year, thereby ending a seven-month sequence of falling staffing levels. Those panellists that increased their workforce numbers did so in response to higher new orders, while there remained a climate of optimism about the year-

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-23 October 2023.

Comment

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

"PMI data for the start of the final quarter of the year painted a similar picture to that for the end of the third quarter. New orders continued to rise, but only at a modest pace and one which wasn't sufficient to encourage firms to expand their production. Instead, manufacturers were content to draw down inventories of finished products to satisfy demand."

"There was some more positive news on the employment front as a seven-month period of job cutting came to an end. This, along with rising purchasing and positive sentiment, suggests that firms are becoming more confident that recent demand improvements will be sustained in the months ahead."

"The other noteworthy development in October was a further intensification of inflationary pressures, with higher oil prices and currency weakness pushing up input costs."

PMI[™]

by S&P Global

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ahead outlook for production.

The stability of employment and ongoing spare capacity in the sector enabled manufacturers to reduce their backlogs of work markedly in October. Furthermore, the rate of depletion was the strongest since June 2021.

A further build-up of inflationary pressures was signalled at the start of the fourth quarter, with both input costs and output prices rising at sharper rates. In fact, the respective rates of inflation each hit eight-month highs.

The impact of rising oil prices was widely mentioned as having pushed up input costs, with higher prices for fuel and plastics among those feeding on from rises in the cost of oil. Meanwhile, a depreciation of the dong against the US dollar added to cost pressures. In turn, firms increased their own selling prices at a solid pace.

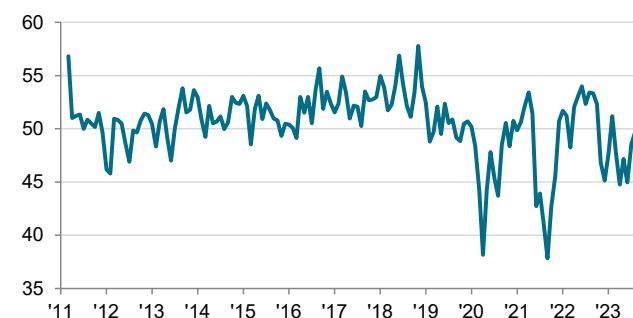
Purchasing activity continued to rise solidly, expanding for the third month running amid efforts to build reserves of inputs ahead of expected increases in production. These efforts were often in vain, however, as signalled by a further reduction in stocks of purchases.

Stocks of finished goods were also down as manufacturers opted to use inventories to meet new orders rather than expanding production. The second consecutive monthly fall in post-production inventories was modest, but the most marked since January.

Finally, the improvements in suppliers' delivery times that have been recorded since the start of the year continued in October amid reports of spare capacity at vendors. That said, the shortening of lead times was the least marked since April.

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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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. www.spglobal.com/marketintelligence/en/mi/products/pmi