News Release

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S&P Global Vietnam Manufacturing PMI®

New orders fall for first time in four months

Key findings

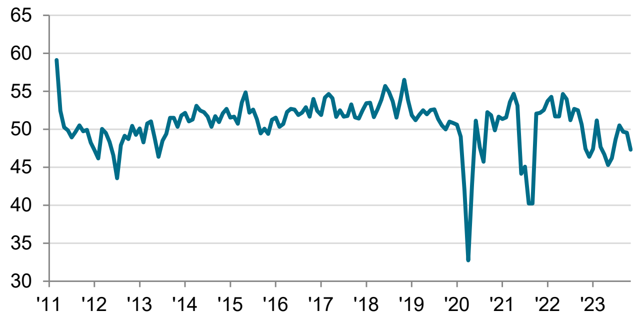
Contraction in output accelerates amid drop in new business

Renewed falls in employment and purchasing

Sharpest rise in input costs since February

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 09-22 November 2023.

Waning demand conditions led to a renewed fall in new orders at Vietnamese manufacturers during November, in turn prompting a more marked decline in production. Firms also cut their employment and purchasing activity, while expressing a reluctance to hold inventories.

To some extent, the fall in new orders reflected resistance from customers to price increases. Nonetheless, firms raised their charges for the fourth month running in response to the sharpest pace of input cost inflation since February.

The S&P Global Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) dropped to a five-month low of 47.3 in November from 49.6 in October. The index signalled a solid monthly deterioration of business conditions in the sector, extending the current sequence of decline to three months in the process.

Manufacturers faced a renewed reduction in new orders during November, thereby ending a three-month sequence of growth. The pace of decline was solid and the most marked since May. Weaker customer demand was reportedly behind the fall in new business. Waning demand extended to international customers as new export business decreased for the first time in four months. Some panellists reported that clients had been reluctant to pay increased prices for products.

With new orders falling and economic conditions challenging, firms scaled back production again. Output has now decreased in each of the past three months. Moreover, the rate of contraction accelerated sharply and was the most pronounced since May.

Cost pressures picked up again midway through the final quarter of the year, with the rate of inflation hitting a nine-month high. Currency weakness reportedly led to higher prices for imported items, while fuel, oil and sugar were among the specific inputs increasing in cost over the month. In turn, firms raised their own selling prices for the fourth

Comment

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

"Demand weakness, both domestically and in international markets, led to retrenchment across the Vietnamese manufacturing sector in November. With new orders down, firms scaled back their production, employment and purchasing activity, plus limited inventory holdings.

"The renewed fall in new business was in part attributed to some resistance among customers to price rises. With firms' own input costs increasing to the largest extent since February, it may prove challenging for manufacturers to price competitively in the months ahead.

"The sector therefore looks set to head into 2024 in pretty subdued fashion, hoping for a pick-up in demand conditions to occur soon."

successive month.

Falling new orders, reduced production requirements and a further drop in backlogs of work meant that manufacturers looked to scale back their purchasing activity and employment in November.

Staffing levels decreased modestly following a fractional improvement in October, with workforce numbers having now been reduced in eight of the past nine months. Meanwhile, a slight fall in purchasing activity ended a three-month period during which input buying had been growing solidly.

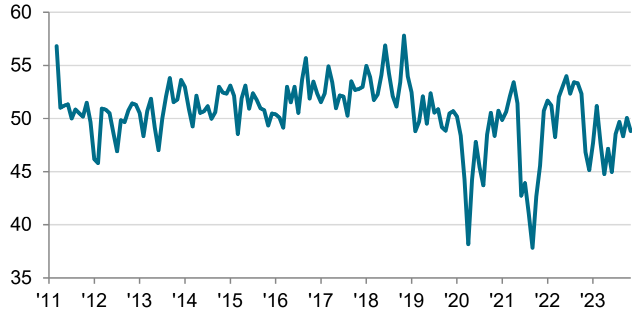
Firms also expressed a reluctance to hold inventories amid demand weakness. As a result, stocks of both purchases and finished goods were reduced, in each case for the third month running. Pre-production inventories decreased solidly, and to the greatest extent since June. Meanwhile, post-production stocks fell only fractionally.

Lower demand for inputs and sufficient stock holdings meant that suppliers to the sector continued to speed up their deliveries, extending the current sequence of improvement to 11 months. That said, lead times shortened only marginally and to the least extent in this period. Some respondents suggested that their suppliers scaled back operations, thereby leading to a softer improvement in vendor performance.

Although firms expect output to rise over the coming year amid hopes for an improvement in new orders, business confidence dipped for the second consecutive month and was below the series average. Firms expressed worries about the fragility of economic conditions and international demand weakness.

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.

About S&P Global

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

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