News Release

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S&P Global Vietnam Manufacturing PMI®

Vietnamese manufacturing sector takes step back in March

Key findings

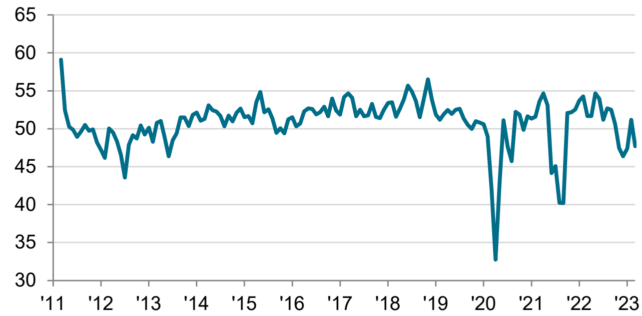
Output, new orders and employment all decrease

Suppliers' lead times shorten to greatest extent in eight years

Rate of cost inflation softens

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 10-23 March 2023.

After having shown signs of recovery in the previous month, the Vietnamese manufacturing sector took a step back in March. Renewed falls were seen in output, new orders and employment amid reports of muted customer demand. Subdued demand acted to alleviate inflationary pressures, however, while suppliers' delivery times shortened to the greatest extent in just over eight years.

The S&P Global Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) posted 47.7 in March, down from 51.2 in February and below the 50.0 no-change mark for the fourth time in the past five months. The deterioration in business conditions signalled by the index was solid, albeit less pronounced than those seen around the turn of the year.

According to firms, the pause in growth seen in March was generally reflective of a relatively subdued demand picture. Both total new business and new export orders fell accordingly. The drop in overall new orders was the fourth in the past five months, while new business from abroad dipped for the first time in three months. In turn, backlogs of work decreased at the fastest pace since last November.

Matching the picture for new orders, manufacturing production also dropped in March following a rise in February. The reduction was only modest, however. Investment goods production increased, but falls were seen in the consumer and intermediate goods categories.

Stocks of finished goods were broadly unchanged over the month, ending a five-month sequence of depletion. Some firms saw post-production inventories rise amid a drop in new orders, while others reported that lower production volumes had led stocks to fall.

With output requirements softening, manufacturers responded accordingly by reducing their purchasing activity and employment, the latter also impacted by staff resignations.

Comment

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

"Growth in the Vietnamese manufacturing sector was paused in March, after having recovered strongly in the previous month. Output, new orders and employment were all down amid reports of muted demand. The softening of conditions in March will hopefully be just a blip, however, with firms remaining confident in the year-ahead outlook.

"A sustained period of strengthening cost inflation was brought to an end as pricing pressure was dented by fragile demand, while the recovery in supply chains continued apace."

The drop in purchasing activity fed through to lower stocks of inputs, with inventories down for the third month running. The rate of depletion was solid, and the sharpest since June 2021.

Falling demand for inputs was a key contributor to a third successive shortening of suppliers' delivery times. Moreover, the latest improvement in vendor performance was the most marked in just over eight years.

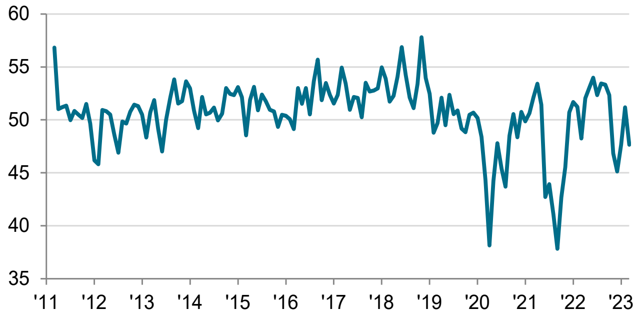
There were also signs of inflationary pressures easing at the end of the first quarter. Although increased supplier charges meant that input costs continued to rise, the rate of inflation was the softest since last October, ending a spell of accelerating cost inflation.

With input prices rising at a slower pace and firms keen to price competitively in order to stimulate demand, output prices increased marginally in March. The pace of selling price inflation was the softest in the current three-month sequence of rising charges.

Despite signs of weakness at the end of the first quarter of the year, manufacturers remained optimistic that output will increase over the coming 12 months. Business sentiment dipped from February, but was still the second-highest in five months amid hopes for demand improvements and stable market conditions. Some firms also pointed to business expansion plans.

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.