

# News Release

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## S&P Global Vietnam Manufacturing PMI<sup>®</sup>

### Production dips for first time in three months

#### Key findings

Subdued demand leads to falls in output and new orders

Cost inflation softens, while firms cut charges

Strongest optimism since September 2022

After recording marginal improvements in the opening two months of the year, business conditions in the Vietnamese manufacturing sector were broadly unchanged in March. Output and new orders both ticked lower, while a subdued demand environment led to a slower rise in input costs and a reduction in selling prices.

More positively, confidence in the outlook for the year ahead hit an 18-month high and manufacturers took on extra staff at a faster rate.

The S&P Global Vietnam Manufacturing Purchasing Managers' Index™ (PMI<sup>®</sup>) dipped below the 50.0 no-change mark in March, posting 49.9 after a reading of 50.4 in February. The index therefore signalled an end to the two-month period of improving business conditions at the start of 2024, but pointed to broadly unchanged operating conditions overall.

There were signs of demand weakness in March, leading to a drop in new orders despite discounts being offered to help secure sales. New export orders were also down, and to the greatest extent since July 2023 amid competitive pressures and geopolitical issues.

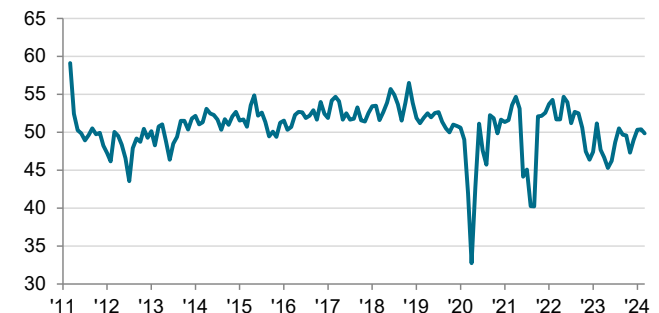
With new orders down, firms also scaled back production at the end of the first quarter of the year, following growth in January and February. The drop in production was only marginal, however, and limited to intermediate goods firms as expansions were recorded at consumer and investment goods producers.

Despite the weakness seen in March, manufacturers were increasingly confident that production will increase over the year ahead. Optimism was the strongest in a year-and-a-half. Firms expect the launch of new products to boost output, while also hoping that an improvement in market demand will help to support new order growth.

Manufacturers also stepped up their recruitment efforts in

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-20 March 2024.

#### Comment

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

*"Growth stalled in the Vietnamese manufacturing sector in March as subdued demand put the brakes on new orders and production. Demand weakness was also reflected in the PMI survey's price indices as input cost inflation slowed and an outright reduction in selling prices was recorded."*

*"On a more positive note, firms are increasingly optimistic that the sector will move back into gear in the months ahead, and this confidence helped to drive accelerated job creation at the end of the first quarter."*

PMI<sup>®</sup>

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March, raising employment for the second month running and at the fastest pace since October 2022.

Rising staffing levels, and a drop in new orders, helped firms to work through outstanding business for the second consecutive month. Moreover, the rate of depletion was the fastest in five months.

Lower output requirements led firms to reduce their purchasing activity in March, the fifth month running in which this has been the case. In turn, stocks of inputs decreased solidly.

Stocks of finished goods also decreased, and to the greatest degree in 33 months. Lower production and the shipping of products to customers were behind the drop in post-production inventories. In a number of cases, goods destined for export had been dispatched.

Reduced demand for inputs contributed to a slowdown in the pace of input cost inflation, with the latest rise the softest since August last year and weaker than the series average. Where input prices did rise, panellists linked this to higher raw material and oil prices.

Manufacturers reduced their selling prices for the second time in the past three months. The marginal decline in March followed a slight increase in February and reflected a combination of competitive pressures, subdued demand and softer cost inflation.

Finally, suppliers' delivery times were broadly unchanged at the end of the opening quarter of the year. International shipping delays and conflicts led to delays receiving goods in some cases, but this was broadly cancelled out by vendors having sufficient inventory holdings to meet orders.

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

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