News Release

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S&P Global Vietnam Manufacturing PMI®

New orders down for first time in 14 months

Key findings

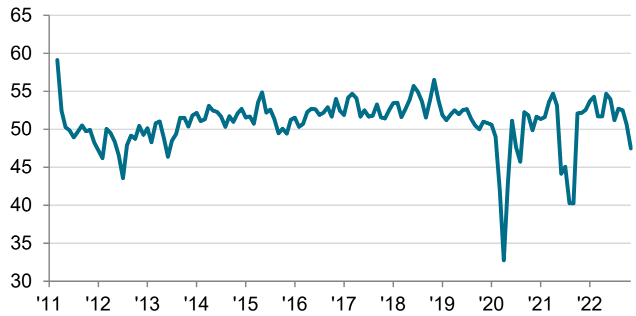
Renewed declines in output, new orders and employment

Currency depreciation adds to input costs

Selling prices reduced amid weaker demand

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 11-22 November 2022.

Deteriorating global economic conditions pushed the Vietnamese manufacturing sector into decline during November. Renewed reductions were seen in output, new orders, employment and purchasing activity, while business confidence fell sharply.

Currency depreciation also impacted manufacturers during the month, leading to a slightly faster rise in input costs. Meanwhile, output prices decreased for the first time since August 2020.

The S&P Global Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) posted below the 50.0 no-change mark during November, thereby ending a 13-month sequence of expansion. At 47.4, down from 50.6 in October, the reading signalled a solid deterioration in business conditions during the month.

Manufacturing new orders decreased for the first time in 14 months midway through the final quarter of the year, often reflecting weakening international demand. In fact, new export orders decreased more quickly than total new business. Some panellists that saw exports fall also mentioned the impact of unfavourable exchange rate movements on prices, and the war in Ukraine.

With new orders falling, Vietnamese manufacturers also lowered production, the first decline since March. The rate of contraction was solid and the fastest since September 2021. Consumer and intermediate goods firms saw output decrease, while investment goods producers signalled a further expansion.

In line with the trends in output and new orders, renewed decreases in employment and purchasing activity were also recorded during November. Employment was down for the first time in eight months. As well as responding to the drop in new orders, lower staffing levels also reflected efforts to reduce costs at some firms.

Comment

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

“In last month's PMI release we suggested that there were signs of global demand weakness feeding through to the Vietnamese manufacturing sector. The picture has darkened considerably in November, with new orders, exports, output, employment and purchasing activity all posting renewed contractions. With business confidence also slumping, the sector appears to be enduring a tough end to 2022.

"One added point of interest from the latest PMI survey was the impact of a recent depreciation of the Vietnamese dong against the US dollar. This acted to push up input costs and contribute to the drop in new orders. That said, cost inflation remained relatively muted, enabling firms to reduce selling prices in a bid to stimulate demand."

The fall in input buying ended a 13-month sequence of growth and fed through to a second successive reduction in stocks of purchases. Post-production inventories also decreased.

Reduced demand for inputs helped some suppliers to speed up their deliveries in November. This was outweighed, however, by delays caused by shortages of materials and fuel. As a result, lead times lengthened marginally and for the first time in four months.

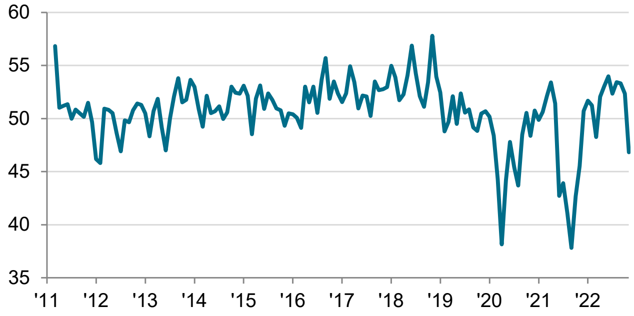
Although input costs increased at a relatively muted pace again in the latest survey period, the rate of inflation quickened to a four-month high. Panellists indicated that currency depreciation against the US dollar had been a key factor behind the rise in input prices.

While input costs increased at a faster pace in November, the fact that inflationary pressures remained relatively modest meant that manufacturers were able to offer discounts as part of efforts to stimulate demand. Selling prices decreased for the first time since August 2020.

Business confidence dropped sharply, due to falling new orders and concerns about international demand. Sentiment was down to the lowest in 14 months. Hopes for a recovery in demand over the coming year meant that some firms remained optimistic in the 12-month outlook for production.

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.

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.

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