

News Release

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S&P Global Vietnam Manufacturing PMI[®]

New order growth picks up as inflationary pressures soften

Key findings

Sharper increases in output, new orders and employment

Marked slowdown in pace of input cost inflation

First shortening of suppliers' delivery times in 33 months

August data pointed to a quicker pace of growth in the Vietnamese manufacturing sector amid improving demand, with faster increases in output, new orders and employment recorded during the month. Firms were helped by a further sharp slowdown in the pace of input cost inflation, with output prices also rising only marginally. Meanwhile, vendor performance improved for the first time in 33 months.

The S&P Global Vietnam Manufacturing Purchasing Managers' Index™ (PMI[®]) posted 52.7 in August, up from 51.2 in July and signalling a solid improvement in the health of the manufacturing sector midway through the third quarter of the year. Business conditions have now strengthened in 11 consecutive months.

Production growth regained momentum in August, after having slowed in July. The fifth successive rise in output was solid as firms reported a continued recovery from the COVID-19 pandemic and greater new orders.

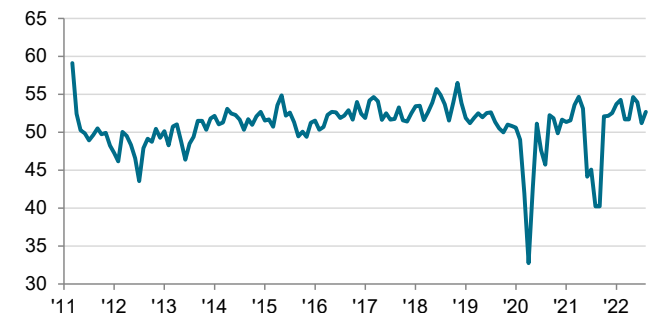
Manufacturers reported higher new orders from both domestic and export customers. In line with the picture for output, the rise in total new orders was solid and sharper than seen in July. Panellists indicated that increased customer numbers, improving demand and competitive pricing were all behind the latest expansion.

Firms were helped in their efforts to price competitively by waning cost pressures. The rate of input price inflation slowed sharply for the second month in a row and was the weakest in 27 months of rising costs. In turn, firms also increased their own selling prices at a softer pace, and one that was only marginal. Respondents mentioned lower costs for oil and other raw materials, although some firms continued to report rising transportation costs.

Rising new orders encouraged manufacturers to expand their staffing levels again in August. As was the case with output and new orders, the rate of job creation quickened midway through the third quarter.

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-22 August 2022.

Comment

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

"Growth momentum strengthened across the Vietnamese manufacturing sector during August as the latest PMI survey pointed to a lessening of some of the headwinds that firms have had to deal with in recent years."

"The most eye-catching development in August was a further sharp slowdown in input cost inflation, with costs only rising marginally in the latest survey period. This gave firms some breathing room to limit their own price rises, thus boosting demand. Manufacturers also benefitted from a first shortening of suppliers' delivery times since November 2019, a marked turnaround from the widespread delays seen this time last year."

"With these supply headwinds having dissipated, firms should be able to concentrate on securing greater new orders and expanding production over the remainder of 2022."

PMI[™]

by S&P Global

A further increase in employment was partly behind a second reduction in backlogs of work in the past three months. In fact, the decline in outstanding business was the most pronounced in just over a year.

Firms also responded to higher output requirements by expanding purchasing activity, the eleventh consecutive month in which this has been the case.

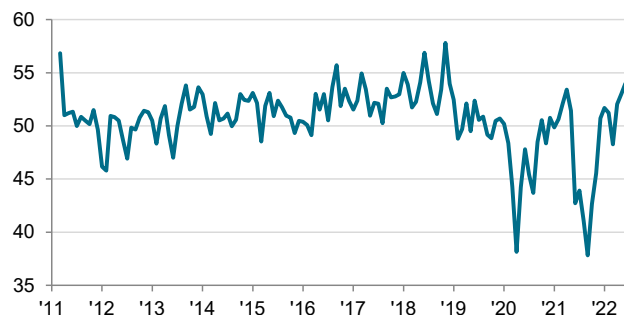
Efforts to secure inputs were helped by a first shortening of suppliers' delivery times since November 2019 as an improving supply of raw materials enabled vendors to speed up deliveries.

Despite rising purchasing activity and quicker deliveries from suppliers, stocks of purchases continued to fall as inputs were used to support growth of production. Stocks of finished goods were also down as products were dispatched to customers.

Expectations that market conditions will be relatively stable over the coming year and that customer demand will improve supported confidence in the year-ahead outlook for production. Sentiment improved from that seen in July and was above the series average. Around 57% of respondents predicted that output will increase over the coming 12 months, against 9% that expected a decrease.

PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global.

Contact

Andrew Harker
Economics Director
S&P Global Market Intelligence
T: +44-1491-461-016
andrew.harker@spglobal.com

SungHa Park
Corporate Communications
S&P Global Market Intelligence
T: +82 2 6001 3128
sungha.park@spglobal.com

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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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