News Release

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S&P Global Vietnam Manufacturing PMI®

New orders decrease at fastest pace in 2023 so far

Key findings

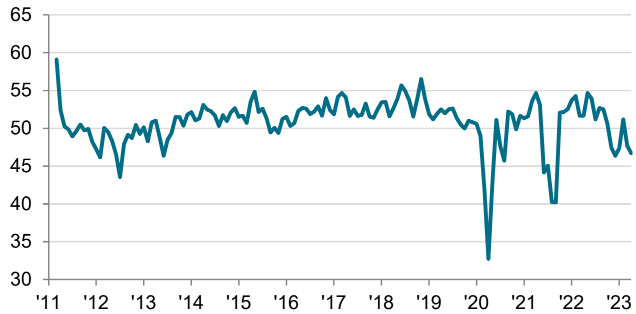
Sharper reductions in output and new orders

Employment down for second month running

Input cost inflation slows to 35-month low

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-20 April 2023.

April data signalled a further decline in the Vietnamese manufacturing sector as demand remained subdued. Both output and new orders decreased for the second month running, with firms scaling back employment and purchasing activity accordingly. Meanwhile, cost pressures continued to ease, providing firms with the opportunity to lower their own selling prices in order to try to stimulate demand.

The S&P Global Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) remained below the 50.0 no-change mark in April, dropping to 46.7 from 47.7 in March. The index signalled a fifth deterioration in business conditions in the past six months, with the latest decline the sharpest in the year-to-date.

Manufacturing production decreased for the second month running, and at a solid pace as companies reported that securing new orders had been challenging during the month amid demand weakness. The solid reduction was faster than that seen in March.

The difficulties securing new orders were shown by further reductions in both total new business and new export orders at the start of the second quarter of the year. The rate of contraction in total new orders quickened from the previous survey period, while new export business fell at a softer pace.

Declines in new orders meant that firms were able to further deplete backlogs of work, which decreased for the fourth consecutive month. Stocks of finished goods, meanwhile, increased to the greatest extent in two years.

Manufacturers continued to lower their staffing levels, both through the non-replacement of leavers and job cuts in response to lower workloads. Moreover, the rate of contraction was the sharpest for a year-and-a-half.

Firms also scaled back their input buying in April, the second month running in which this has been the case. A decline in demand for inputs helped lead to a fourth successive

Comment

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

"The Vietnamese manufacturing sector appears to be going through a soft-patch at present, with firms finding securing new business challenging. Companies are still optimistic that output will rise over the coming year, although sentiment has faded as new orders have dropped off in recent months.

"Manufacturers have started lowering their prices to try and stimulate demand, with reduced cost pressures providing some room for manoeuvre. In fact, input prices increased at the softest pace in almost three years."

shortening of average lead times. Some firms also reported that improved transportation conditions had helped to improve vendor performance.

With input buying lower, a fourth consecutive decline in stocks of purchases was recorded. That said, positive expectations for the future encouraged some firms to add to inventories, meaning that overall the rate of depletion was only marginal.

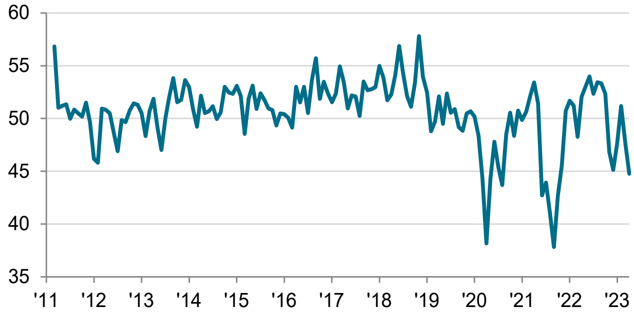
Positive sentiment was reflective of hopes that the current demand weakness would prove temporary, with a recovery taking place over the course of the coming year. That said, optimism was the lowest in the year-to-date.

The rate of input cost inflation slowed for the second consecutive month in April, easing to a slight pace that was the weakest in the current 35-month sequence of inflation amid some reports of lower raw material prices. Where input costs did increase, firms generally linked this to rises in prices linked to fuel and oil.

A reduction in cost pressures and a subdued demand environment combined to result in a reduction in output prices, thereby ending a three-month sequence of inflation. Charges were lowered across the consumer, intermediate and investment goods sectors.

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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