

# News Release

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

### Steepest decline in new orders for 20 months

#### Key findings

Steeper reductions in output and new orders

Input costs fall for first time in three years

Employment and purchasing activity scaled back

The Vietnamese manufacturing sector moved further into contraction territory in May as the demand climate worsened again. Sharper falls in output and new orders were recorded, with firms scaling back their employment and purchasing activity accordingly. Meanwhile, business confidence continued to weaken.

There was further evidence of an easing of price pressures in the sector. Input costs decreased for the first time in three years, meaning that manufacturers were able to reduce their own selling prices in order to try to stimulate demand.

The S&P Global Vietnam Manufacturing Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>) dropped to 45.3 in May from 46.7 in April, thereby signalling a third successive monthly deterioration in operating conditions. Moreover, the latest decline in the health of the sector was the most marked since September 2021.

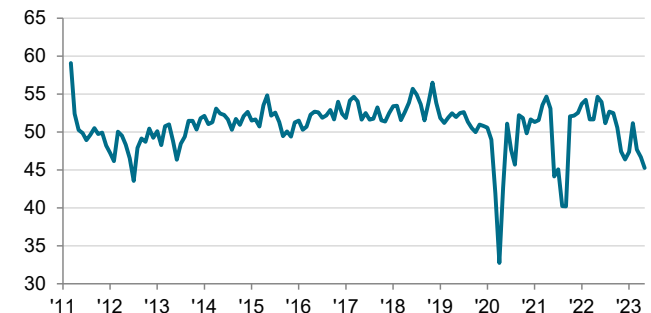
There were widespread reports of customer demand weakness across the latest survey. The impact of this was most clearly felt with regards to new orders, which declined rapidly and to the greatest extent in 20 months. Difficulties in securing sales were also evident in export markets, with new business from abroad decreasing for the third month running.

With new orders continuing to fall, firms also reduced output midway through the second quarter of the year. Production was down for the third successive month, and at a marked pace that was the fastest since January. Output decreased across each of the three broad categories of manufacturing, with the sharpest decline at intermediate goods producers.

Demand weakness caused a further hit to business confidence, which dropped for the third month in a row to the weakest since last November. Any lingering optimism was often due to hopes that a recovery would get underway in the sector in the coming months.

S&P Global Vietnam Manufacturing PMI

sa, >50 = improvement since previous month



Source: S&P Global.  
Data were collected 12-22 May 2023.

#### Comment

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

*"The steepening decline in new orders during May is a cause for concern as it suggests that the Vietnamese manufacturing sector may be in for a lengthy downturn rather than a transitory soft-patch. Firms responded accordingly, lowering their output and scaling back both employment and purchasing activity."*

*"Waning demand for inputs has relieved any lingering pressure on capacity in supply chains, such that we are now seeing shorter delivery times and falling input costs."*

*"While confidence continued to fade in May, there were still some hopes among firms that a recovery will get under way in the months ahead. The coming data will therefore be key in providing any signals of improvement."*

PMI<sup>™</sup>

by S&P Global

Some firms responded to lower workloads by cutting staffing levels. This, added to some reports of voluntary resignations, meant that employment decreased again in May, albeit to a lesser extent than seen in the previous survey period.

Although firms reduced their operating capacity, they were still able to make substantial inroads into their backlogs of work in May. Outstanding business decreased at the sharpest pace since June 2021.

Manufacturers cut their purchasing activity at a marked pace, extending the current sequence of reduction to three months. In turn, stocks of purchases also decreased, and to the greatest extent in just under two years.

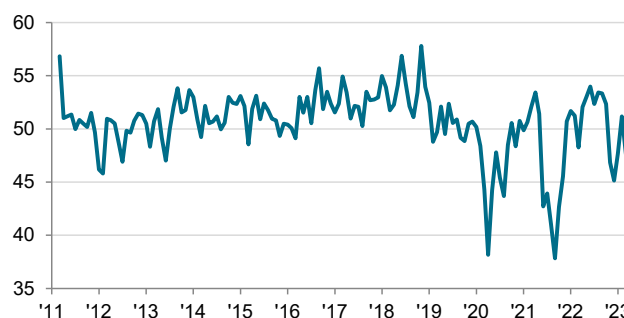
Stocks of finished goods were also down as firms adapted production to lower new orders. The fall was the first in three months.

Reduced demand for inputs continued to mean a lack of pressure on supply chains. As a result, vendor performance improved for the fifth month running, and to the joint-largest extent since February 2015.

Waning demand also led suppliers to reduce their prices. Input costs decreased for the first time in three years as a result. The drop in input prices provided some leeway for firms to reduce their own charges in a bid to boost demand. Selling prices decreased for the second month running, and at a broadly similar pace to the previous survey period.

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

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