**HSBC Purchasing Managers' Index™ Press Release**
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compiled by markit

# HSBC Vietnam Manufacturing PMI™

## Vietnam Manufacturing PMI falls to its lowest level since the survey began in April 2011

### Summary

July data pointed to another difficult month for the Vietnam manufacturing sector, with overall business conditions worsening at a much faster pace than in the previous month. This was highlighted by a fall in the seasonally adjusted **HSBC Vietnam Manufacturing PMI™** to 43.6, from 46.6 in June. The index has now posted below the neutral 50.0 value for four months in a row, and the latest reading was the lowest since the survey began in April 2011.

Manufacturers in Vietnam indicated a marked reduction in production levels during July, thereby extending the current period of contraction to four months. Latest data indicated that both output and new business levels declined at the fastest rates since the survey began in April 2011. The survey has indicated a drop in new order volumes in each month since May. Anecdotal evidence widely pointed to unfavourable economic conditions and an unwillingness to spend among clients. The overall drop in new business volumes was mainly driven by weaker demand from domestic clients, as new export orders continued to decline at only a modest pace. Companies reporting a fall in new work received from abroad generally cited lower exports to China and softer demand from European markets.

Lower workloads allowed firms to focus on reducing their volumes of unfinished business in July. As a result, latest data pointed to a marked fall in backlogs of work, with the pace of decline the fastest in the 16-month survey history. Meanwhile, manufacturers in Vietnam trimmed their staffing levels, thereby extending the current period of workforce reduction to two months. Survey respondents widely attributed the fall to reduced inflows of new work and an associated decrease in production requirements at their plants.

Vietnamese manufacturers cut back on their input buying for the fourth successive month in July. The latest reduction in purchasing activity was the sharpest since the survey began in April 2011, which in turn resulted in a marked fall in pre-production inventories. Survey respondents also sought to reduce their stocks of finished goods in July, with a marginal decline contrasting with the solid expansion seen in June. Lower demand for inputs contributed to another improvement in supplier delivery times during the latest survey period.

July data signalled a solid decline in average input costs in the Vietnamese manufacturing sector, which was generally attributed to lower fuel and raw material prices. This allowed firms to lower their output charges in July, which extended the current period of price discounting to three months.

### Comment

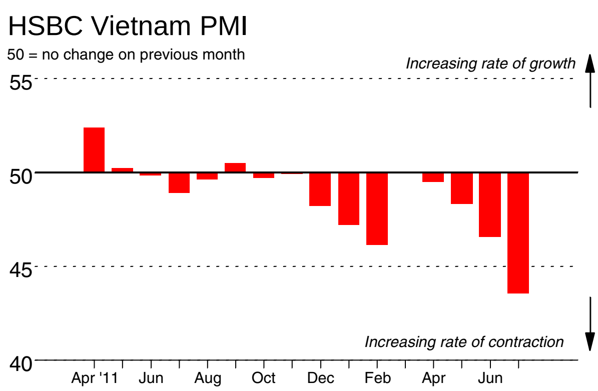
Commenting on the Vietnam Manufacturing PMI™ survey, Trinh Nguyen, Asia Economist at HSBC said:

*"The sharp contraction of manufacturing activity reflects still weak domestic demand in Vietnam, as consumers are unwilling to spend and the credit environment remains challenging. The decline of employment and quantity of purchases suggests that the situation is likely to continue in the next couple of months. The SBV eased policy in the first half. With inflation slowing and demand still weak, we expect another 100bp cut of refinance and other rates to come soon."*

### Key points

- Business conditions worsen for the fourth month running in July
- Output and new orders decline at faster rates
- Average cost burdens continue to fall

### Historical Overview




Sources: Markit, HSBC.

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## For further information, please contact:

### HSBC

Trinh Nguyen, Asia Economist
Telephone +852-2996-6975
Email trinhdnguyen@hsbc.com.hk

Giang Cao
Head of Group Communications, HSBC Bank (Vietnam) Ltd
Telephone +848-3829-2288
Email giangcao@hsbc.com.vn

Hoai Anh Ly
Communications Manager
Telephone +848-3520-3483
Email anh.hoai.ly@hsbc.com.vn

### Markit

Tim Moore, Senior Economist
Telephone +44-1491-461-067
Email tim.moore@markit.com

Caroline Lumley, Corporate Communications
Telephone +44-20-7260-2047
Mobile +44-781-581-2162
Email caroline.lumley@markit.com

## Notes to Editors:

The HSBC Vietnam Manufacturing PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 400 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to Vietnamese GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The *Purchasing Managers' Index™ (PMI™*) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

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## About PMIs:

*Purchasing Managers' Index™ (PMI™)* surveys are now available for 32 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. To learn more go to www.markit.com/economics