

HSBC Vietnam Manufacturing PMI™

Manufacturing PMI signals marginal worsening of operating conditions

Summary

The HSBC Vietnam Manufacturing PMI signalled a further worsening of manufacturing sector operating conditions during September, although the rate of deterioration was only slight. This was highlighted by a rise in the headline index from 47.9 to a five-month high of 49.2.

September data showed that manufacturing output was little changed since the month before, following a solid reduction one month previously.

Meanwhile, new orders decreased again in September, with panellists largely attributing this to subdued market demand conditions. The rate of decline in new work was the weakest in the current five-month period of contraction, however, and only modest. In contrast, the pace of reduction in new export business accelerated since the month before. Although only modest, the latest decrease in foreign orders was the sharpest recorded by the series to date.

The size of the Vietnamese manufacturing sector workforce was little changed in September. Meanwhile, backlogs of work declined at a sharp rate that was the steepest in the short series history. The latest decrease in outstanding business extended the current period of reduction to six months.

Purchasing activity continued to fall in September. The rate of decline in input buying was only slight, however, having eased markedly for a second successive month. Stocks of purchases fell as a result, although the rate of decline was the slowest since November 2011. Meanwhile, companies continued to report shorter lead times from vendors, largely reflective of sufficient stock of inputs at suppliers.

Average input costs faced by goods producers rose for a second successive month in September, with the rate of inflation accelerating to a five-month high. The overwhelming reason given by panellists for a rise in average prices was that raw material costs had increased over the month. Some survey respondents also mentioned higher prices paid for fuel.

Despite the rise in average costs, goods producers reduced their output charges during September in an attempt to attract new business. The rate of output price discounting was only slight, however.

Comment

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

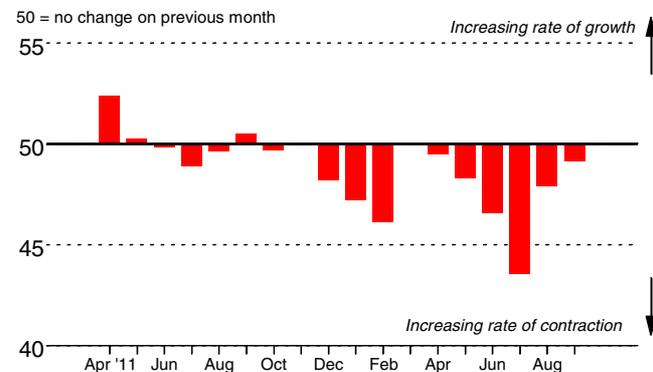
"The stabilisation of manufacturing activity in Vietnam is a positive development, especially given the downturn of the global trade cycle and the still-fragile domestic business environment. New export orders continue to contract but, at close to 50.0, the print for the Output Index is in line with our view that growth will pick up in the fourth quarter. With inflation picking up significantly, as indicated by the rise in input prices, the SBV will hold rates steady for the rest of the year."

Key points

- Output little changed since the month before
- New export orders down at sharpest rate recorded by series to date
- Input cost inflation accelerates

Historical Overview

HSBC Vietnam PMI



Sources: Markit, HSBC.

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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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