

HSBC Vietnam Manufacturing PMI™

Vietnam Manufacturing PMI rises to its highest level since September 2011

Summary

At 50.5 in November, up from 48.7 in October, the seasonally adjusted HSBC Vietnam Manufacturing PMI posted above the neutral 50.0 value for the first time in 14 months. Although the index pointed to only a marginal improvement in overall manufacturing business conditions, the latest reading was the highest since September 2011.

The improvement in operating conditions reflected returns to growth in both production levels and new orders during November. Output increased at the most marked pace since September 2011, thereby ending a seven-month period of contraction. Support to production levels was mainly provided by domestic demand in November, as new export order volumes continued to decline. Survey respondents commented on relatively subdued demand within Asia and the ongoing economic downturn across Europe.

Overall new business levels nonetheless returned to growth in November, which ended a six-month sequence of contraction. Although the latest rise in new orders was only modest, the rate of expansion was the strongest since April 2011. Backlogs of work meanwhile decreased for the eighth consecutive month, suggesting a general lack of pressure on operating capacity across the Vietnam manufacturing sector.

Another rise in staffing levels contributed to the latest reduction in work outstanding across the sector. The pace of job creation picked up slightly since October and was the most marked for a year.

Higher production requirements and stronger new business inflows resulted in an expansion of input buying for the first time since March. This did not prevent a thirteenth successive monthly decline in stocks of purchases in the manufacturing sector. Anecdotal evidence suggested that lower pre-production inventory levels reflected stronger-than-expected output in November. Improved sales also contributed to a solid drop in stocks of finished goods, with the rate of decline in post-production inventories the fastest for a year.

November data provided some evidence that price discounting strategies supported new business gains in the Vietnam manufacturing sector. Factory gate prices decreased for the seventh month running and at the fastest pace since August. Average cost burdens meanwhile continued to rise during November, driven by rising oil-related prices. That said, the rate of cost inflation eased further from the five-month high registered in September.

Comment

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

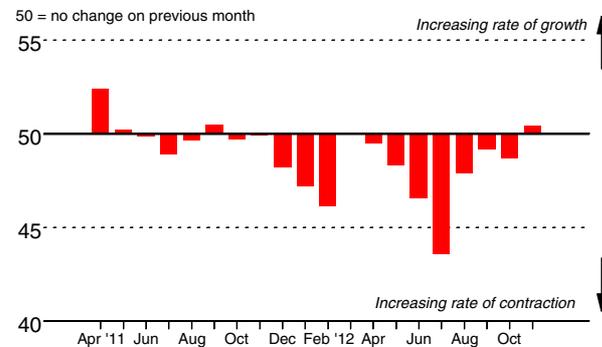
"The rebound of manufacturing activity is anticipated and much-needed. The expansion is supported by stronger credit growth as well as relatively benign inflation, while export demand remains weak. Looking ahead, we expect a gradual pick-up of economic activity supported by both domestic demand and a gradual recovery in China."

Key points

- Higher PMI reading driven by output and new order growth
- Job creation recorded for second month running
- Input price inflation continues to slow

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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