

HSBC Vietnam Manufacturing PMI™

Vietnam PMI signals mild expansion at start of Q2 2013

Summary

The seasonally adjusted HSBC Vietnam Manufacturing PMI posted 51.0 in April, up slightly from 50.8 in March, to signal back-to-back improvements in operating conditions for the first time in almost two years. The PMI was boosted by faster growth of new orders and employment and a further expansion of production volumes.

Manufacturing output rose for the second successive month during April, albeit at a slightly slower pace than in March. Higher output reflected a further increase in incoming new orders, as companies reported improved sales to domestic clients. Meanwhile, subdued international market conditions meant that the level of new export business showed only a negligible increase compared to one month earlier.

Manufacturing employment also rose for the second consecutive month during the latest survey period, with jobs growth linked to the recent mild recoveries in production and new order volumes.

April data pointed to a further solid decrease in work-in-hand (but not yet completed) volumes. A number of firms reported that they had satisfied existing contracts from stock holdings to clear backlogs of work. Stocks of finished goods were depleted for the sixth month running.

Average input costs increased again during April, with manufacturers reporting that they were paying higher prices in both domestic and world markets. Purchasing costs have risen in each of the past four months, although the rate of increase during the latest survey period was milder than in March.

Vietnam manufacturers reported that competitive market conditions restricted their ability to pass on rising costs to their clients. Subsequently, average output prices declined for the first time in three months, with the rate of decrease the sharpest since last December. There were also some reports of manufacturers offering discounted prices in order to support sales volumes.

Stocks of purchases declined again in April, meaning that inventories have fallen throughout the past one-and-a-half years. This was despite a solid increase in input buying volumes, which was initiated (in part) to reduce the pressure on raw material stocks. Meanwhile, vendor lead times were broadly unchanged in April, as has been the case so far in the year-to-date.

Comment

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

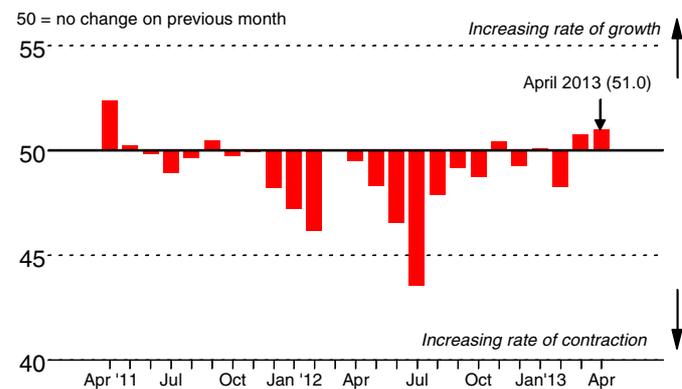
"The expansion of manufacturing activity reflects a gradual improvement of domestic demand. The manufacturing sector continues to see growth, as indicative by the rise in employment and output. While the economy is weighed down by underperformance of the state sector, the private sector, especially the manufacturing industry, continues to pull its weight to sustain the economy. The year-to-date increase of foreign investment into manufacturing shows Vietnam's still-strong competitiveness in labour-intensive manufacturing."

Key points

- HSBC PMI rises to 51.0 in April
- Modest recoveries in output and new orders continue
- Employment increases at fastest pace in 25-month survey history

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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