

Embargoed until: 1 August 2012

HSBC Vietnam Manufacturing PMI™

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

Key findings:

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

This report contains the fourth public release of data collected from the new monthly survey of business conditions in the Vietnamese manufacturing sector. The headline figure derived from the survey is the Manufacturing *Purchasing Managers' Index™ (PMI™)*. Readings above 50.0 signal an improvement in business conditions on the previous month while readings below 50.0 show deterioration.

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.

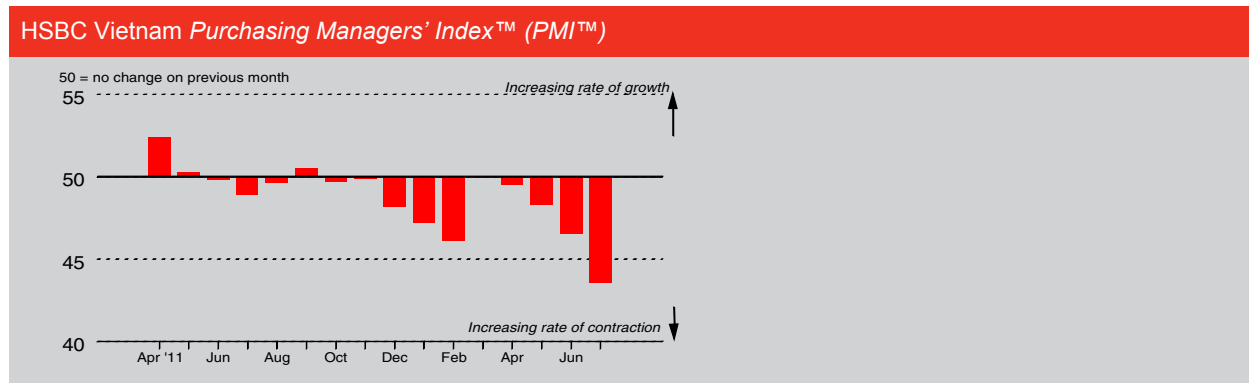
Manufacturers in Vietnam indicated a marked reduction in production levels during July, thereby extending the current period of contraction to four months. Latest data indicated that both output and new business levels declined at the fastest rates since the survey began in April 2011. The survey has 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.

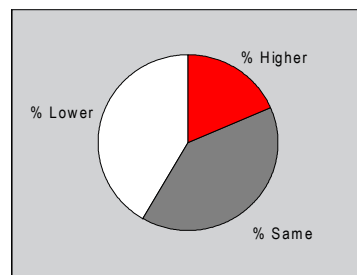
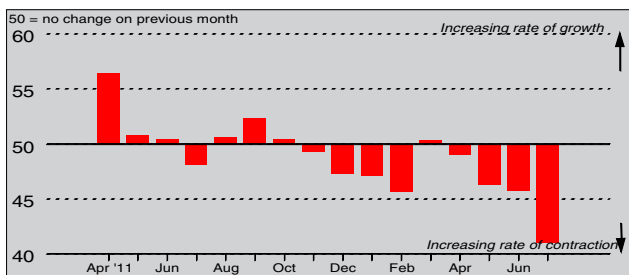
July data signalled a solid decline in average input costs in the Vietnamese manufacturing sector, which was generally attributed to lower fuel and raw material prices. This allowed firms to lower their output charges in July, which extended the current period of price discounting to three months.



The HSBC Vietnam Manufacturing Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI™ below 50.0 indicates that the manufacturing economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index. Purchasing Managers' Index™ and PMI™ are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

Output Index

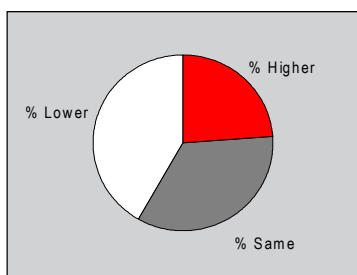
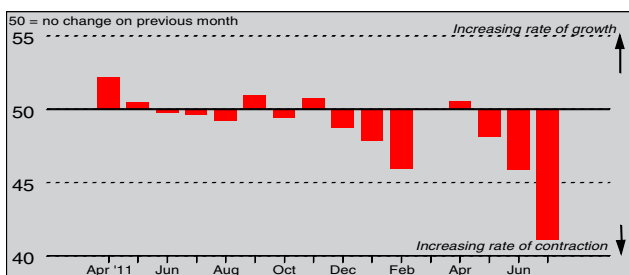
Q. Please compare your production/output this month with the situation one month ago.



Adjusted for seasonal factors, the Output Index remained below the 50.0 no-change value for the fourth consecutive month in July. Moreover, the latest reading was the lowest since the survey began in April 2011. Anecdotal evidence from survey respondents widely attributed the downturn in production to shrinking new business intakes.

New Orders Index

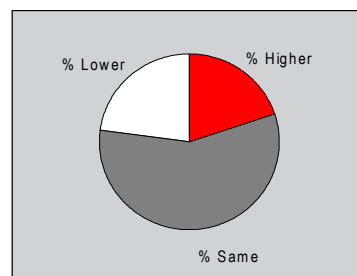
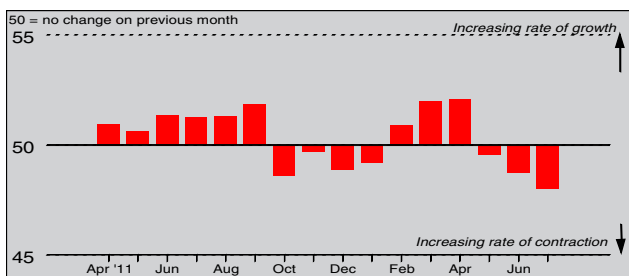
Q. Please compare the level of new orders received (Vietnam and export) this month with the situation one month ago.



July data pointed to a sharp and accelerated reduction in new business intakes across the Vietnam manufacturing sector. The seasonally adjusted New Orders Index has now registered below the neutral 50.0 value for three months running, and the latest reading was the lowest since the survey began in April 2011. Manufacturers noted that unfavourable economics conditions resulted in a lack of willingness to spend among clients.

New Export Orders Index

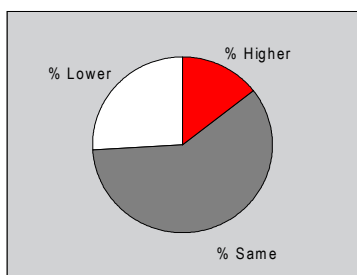
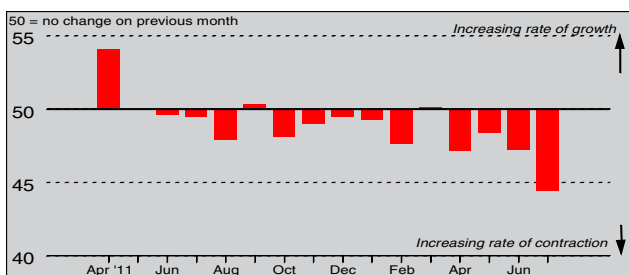
Q. Please compare the level of new export orders received this month with the situation of one month ago.



Manufacturers in Vietnam signalled a reduction in new business from abroad for the third month running during July. Adjusted for seasonal factors, the New Export Orders Index was the lowest since the survey began, but the latest reading pointed to only a modest rate of contraction. A number of firms commented on lower exports to China, alongside weakening demand from European markets.

Backlogs of Work Index

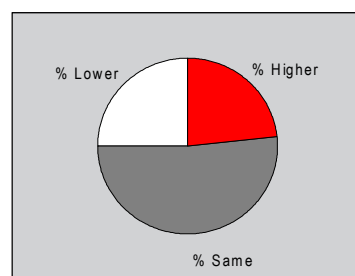
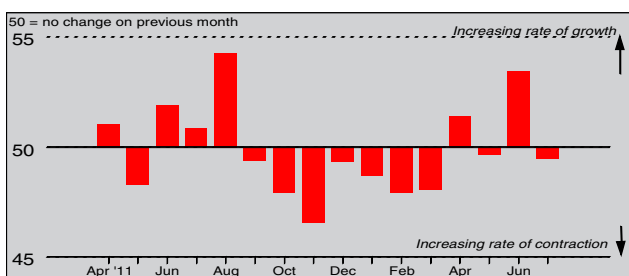
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Levels of unfinished business in the Vietnam manufacturing sector continued to decline during July. The seasonally adjusted Backlogs of Work Index has registered below the neutral 50.0 level in each month since April, and the rate of reduction accelerated to its fastest in 16 months of data collection.

Stocks of Finished Goods Index

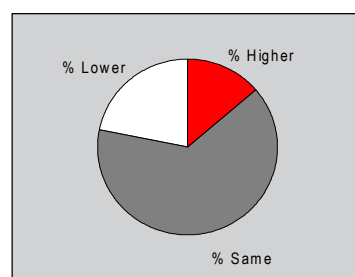
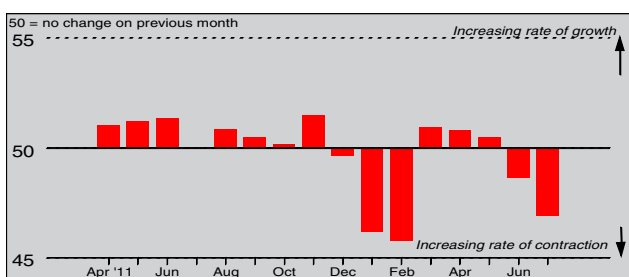
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



July data indicated a marginal reduction in post-production inventory levels, which contrasted with the solid expansion recorded in the previous month. The seasonally adjusted Stocks of Finished Goods Index was the lowest for four months, but pointed to only a marginal rate of decline in the latest survey period.

Employment Index

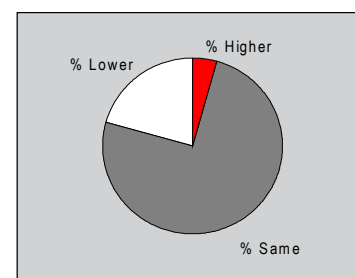
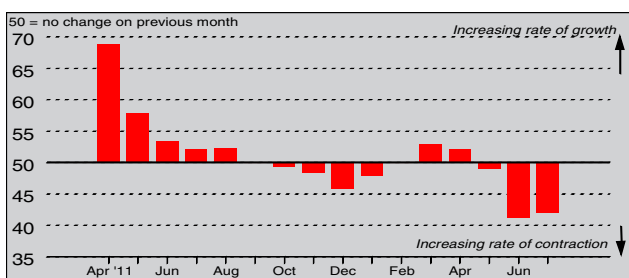
Q. Please compare the level of employment at your unit with the situation one month ago.



Vietnam manufacturers reported a drop in their staffing levels for the second month running during July. The seasonally adjusted Employment Index indicated a marked fall in workforce numbers, with the rate of decline the fastest since February. Survey respondents noted that lower inflows of new work and an associated drop in production requirements had led to a fall in employment levels at their plants.

Output Prices Index

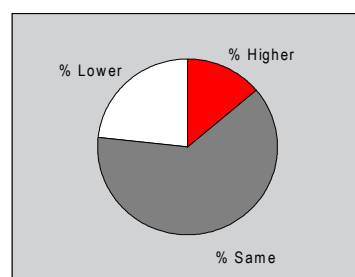
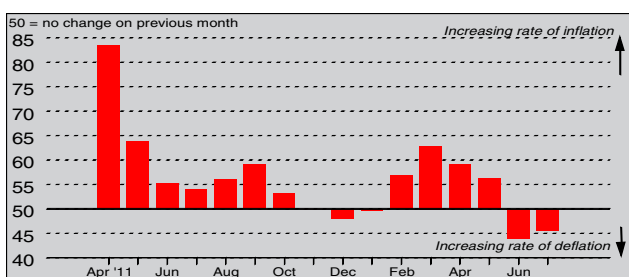
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



The seasonally adjusted Output Prices Index signalled a sharp reduction in average tariffs in the Vietnam manufacturing sector during July, thereby extending the current period of reduction to three months. However, the rate of price discounting eased slightly since June. Companies that lowered their average charges generally commented on falling input costs and strong competitive pressures.

Input Prices Index

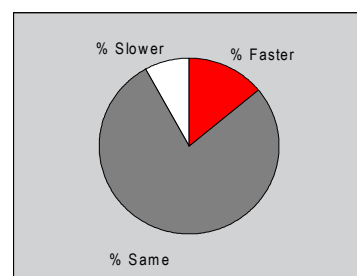
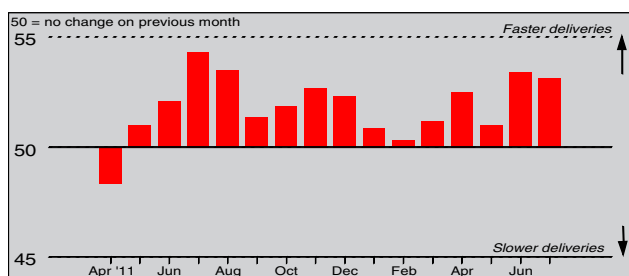
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



Input prices decreased for the second successive month in July. The seasonally adjusted Input Prices Index indicated a slightly slower rate of reduction than that registered in June. Manufacturers mostly attributed the drop in average cost burdens to falling fuel and raw material prices during the latest survey period.

Suppliers' Delivery Times Index

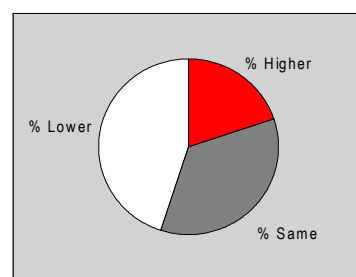
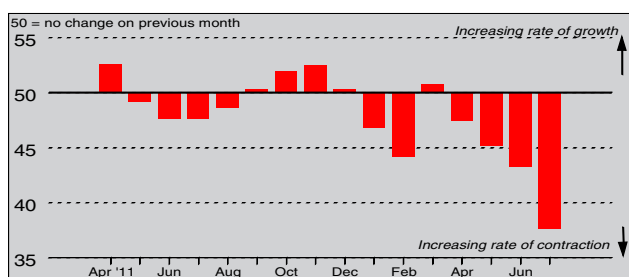
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Manufacturers in Vietnam pointed to a further solid improvement in vendor performance during July. Adjusted for seasonal factors, the Suppliers' Delivery Times Index has signalled a shortening of average lead-times in each of the past 15 months. There were a number of reports that weaker demand for inputs had resulted in faster delivery times from suppliers.

Quantity of Purchases Index

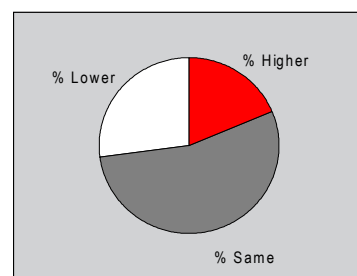
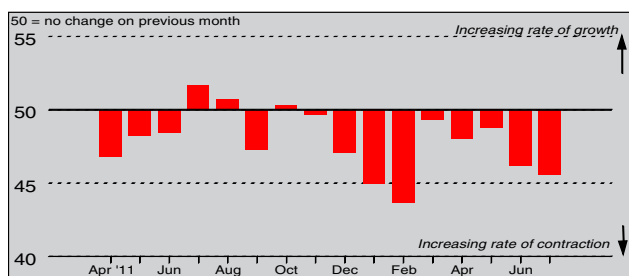
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Input buying in the Vietnam manufacturing sector fell for the fourth successive month in July. The seasonally adjusted Quantity of Purchases Index indicated that the rate of contraction accelerated sharply since the previous month, to its steepest since the survey began in April 2011. Lower levels of purchasing activity were linked to decreased output requirements and efforts to prevent unwanted stock accumulation.

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.



Adjusted for seasonal factors, the Stocks of Purchases Index posted below the neutral 50.0 value for the ninth month running in July. The latest reading indicated a marked fall in pre-production inventories, and the rate of decline accelerated to its steepest since February. Manufacturers generally commented that stocks of inputs had been reduced in order to improve cash flow in the wake of weaker client demand.

Notes on the Data and Method of Presentation

The Purchasing Managers' Index is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 300 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to Vietnam 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 derived from the Chartered Institute of Purchasing & Supply's survey of the UK economy: 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.

Warning

The intellectual property rights to the HSBC Vietnam Manufacturing PMI provided herein is owned by Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit, PMI and Purchasing Managers' Index are all trademarks owned by The Markit Group.