

Nikkei Vietnam Manufacturing PMI™

Business conditions stable in October

Key points:

- New orders fall slightly again, but output rises marginally
- Input costs continue to decrease
- Rate of job creation is slowest in seven months

Summary:

Latest PMI data highlighted stability in the Vietnamese manufacturing sector during October. New orders decreased marginally for the second month running, while production rose fractionally. Falling new orders led to a further reduction in backlogs of work and weaker job creation. Meanwhile, both input costs and output prices continued to fall amid reductions in raw material costs.

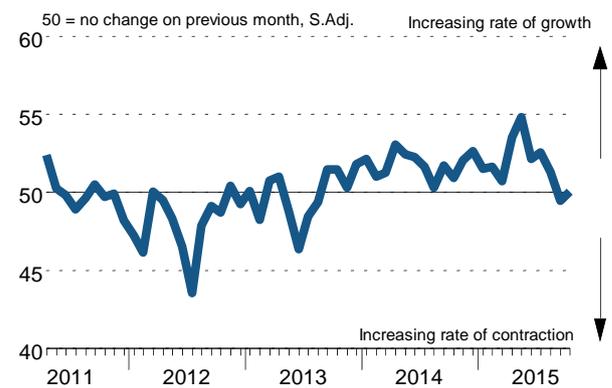
The headline Nikkei Vietnam Manufacturing Purchasing Managers' Index™ (PMI)™ – a composite single-figure indicator of manufacturing performance – posted 50.1 in October, only fractionally above the 50.0 no-change mark and thereby signalling little change in business conditions over the month. The reading was up from 49.5 recorded in September.

Helping the headline index to rise back above the 50.0 mark was a marginal increase in production. This followed a fall in the previous month. Those respondents that saw growth of output linked this to higher new orders. However, other panellists saw new business decline, thereby feeding through to lower production.

New business decreased marginally overall in October, the second successive month in which a reduction has been recorded. Panellists linked the fall to declining client demand, which was also a factor behind a fifth consecutive monthly contraction in new export orders.

Lower new business resulted in spare capacity at Vietnamese manufacturers, and a subsequent reduction in backlogs of work. This also led to a third successive monthly slowdown in the rate of job creation. The latest increase in employment was only slight.

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Sources: Nikkei, Markit

Manufacturers in Vietnam continued to report falling raw material prices during October, feeding through to reductions in both input costs and output prices. In both cases, the rate of decline was solid, but the weakest in three months. Input prices have fallen continuously since July.

A second successive monthly reduction in purchasing activity was posted, with panellists indicating that holdings of inputs were sufficient to meet output requirements. Consistent with this was a marginal increase in stocks of purchases, ending a three-month sequence of depletion.

Stocks of finished goods also rose, as was the case in September. According to respondents, an increase in production, a fall in new orders and delays in distributing products to customers had all contributed to the increase in post-production inventories.

Suppliers' delivery times, meanwhile, improved for the third month in a row amid reports that reduced workloads had enabled them to cut lead times.

Comment:

Commenting on the Vietnamese Manufacturing PMI survey data, **Andrew Harker**, at Markit, which compiles the survey, said:

"The Vietnamese manufacturing sector stabilised in October, providing some reassurance that the deterioration seen in September was not the start of a prolonged downwards trend. That said, the strong growth seen earlier in the year now seems a long

way off, with external markets looking to be the key headwind at present. Firms will hope for an improvement in global economic conditions to help support a return to growth.

“Falling raw material costs were again recorded in October, leading both input prices and output charges to decrease further. However, the respective rates of decline eased.”

-Ends-

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Notes to Editors:

The Nikkei Vietnam Manufacturing *PMI*[™] is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by GDP and company workforce size. The manufacturing sector is divided into the following 8 broad categories: Basic Metals, Chemicals & Plastics, Electrical & Optical, Food & Drink, Mechanical Engineering, Textiles & Clothing, Timber & Paper, Transport.

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'. 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.

The Nikkei Vietnam Manufacturing *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.

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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