

Embargoed until: 2 May 2013

HSBC Vietnam Manufacturing PMI™

Vietnam PMI signals mild expansion at start of Q2 2013

Key findings:

- 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

This report contains the thirteenth 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.

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.

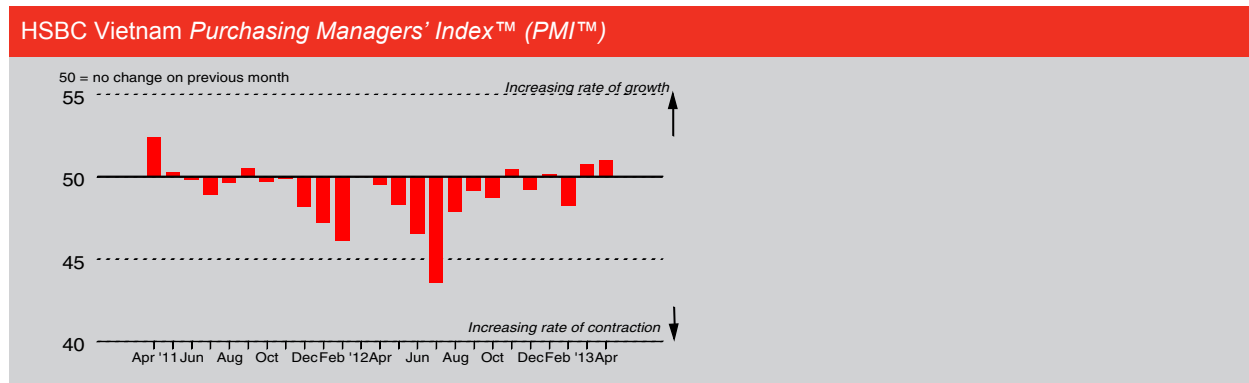
Manufacturing employment also rose for the second consecutive month during the latest survey period, with jobs growth linked to the recent mild recoveries in production and new order volumes.

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.

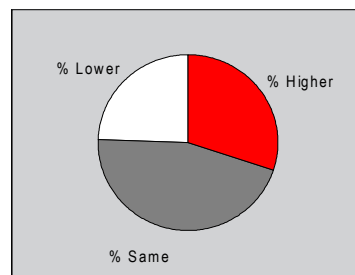
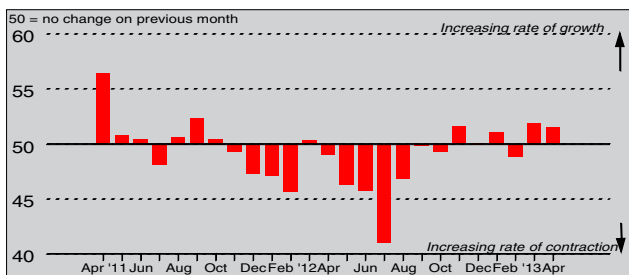
Stocks of purchases declined again in April, meaning that inventories have fallen throughout the past one-and-a-half years. This was despite a solid increase in input buying volumes, which was initiated (in part) to reduce the pressure on raw material stocks. Meanwhile, vendor lead times were broadly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



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

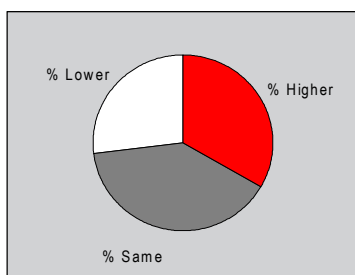
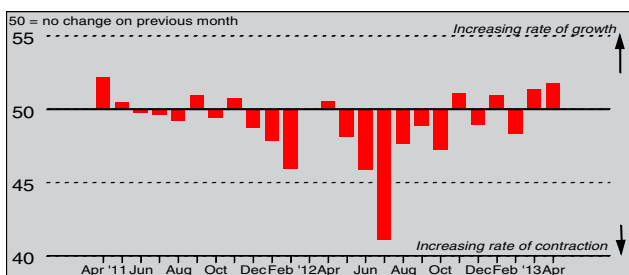
Q. Please compare your production/output this month with the situation one month ago.



Vietnam manufacturing production expanded for the second successive month in April, with over 30% of companies reporting an increase. The rate of growth eased slightly from the previous month, but was nonetheless an improvement on the contractions seen throughout much of the survey history. Higher levels of production were linked to rising new order volumes.

New Orders Index

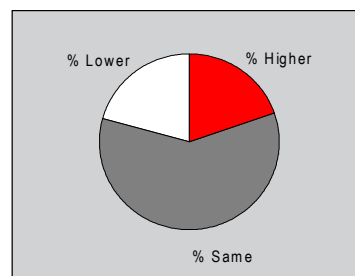
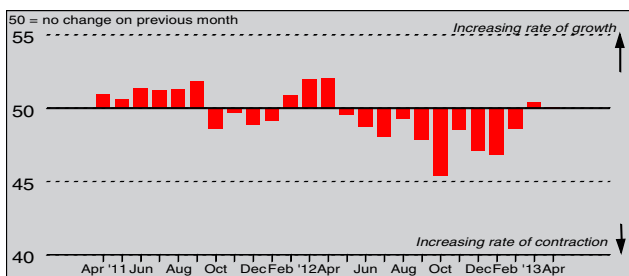
Q. Please compare the level of new orders received (Vietnam and export) this month with the situation one month ago.



The level of incoming new business increased for the second month running in April. The latest improvement in new order inflows mainly reflected modest growth in domestic sales, as the level of new export business virtually stabilised at its March level. A number of firms reported that price discounts had been offered in order to support sales volumes.

New Export Orders Index

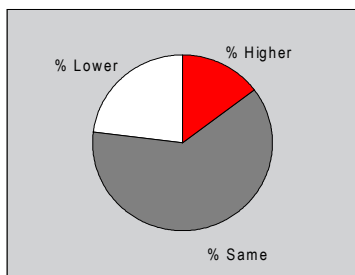
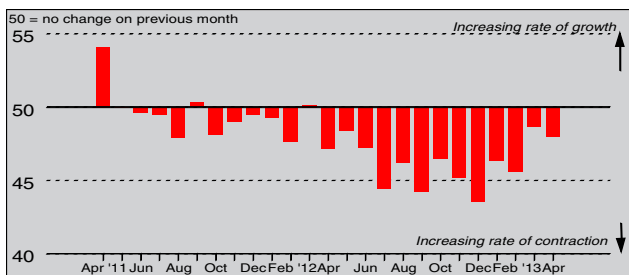
Q. Please compare the level of new export orders received this month with the situation of one month ago.



The level of new export orders posted a further muted increase during April, as around three-fifths of survey respondents signalled no change in foreign demand. Companies reported that global market conditions remained subdued and highly competitive, restricting their ability to stimulate sales growth in non-domestic markets.

Backlogs of Work Index

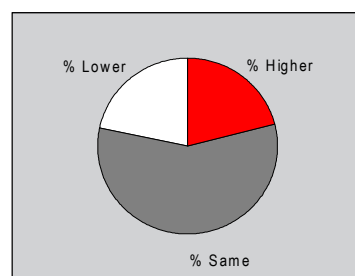
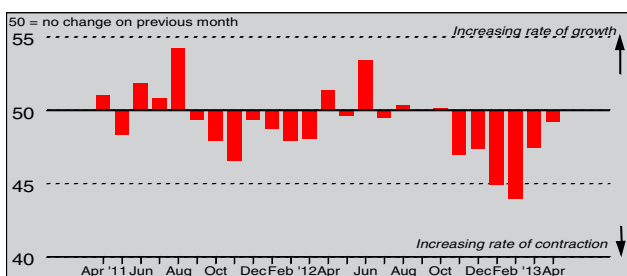
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Vietnam manufacturers reported a further decline in the level of work-in-hand (but not yet completed) during April. Outstanding business has now fallen in each of the past 13 months, although the latest rate of reduction was slower than the average for that sequence. There were some reports of existing contracts being settled from stocks to reduce backlogs.

Stocks of Finished Goods Index

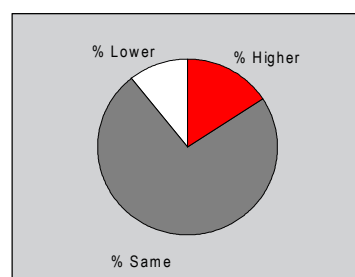
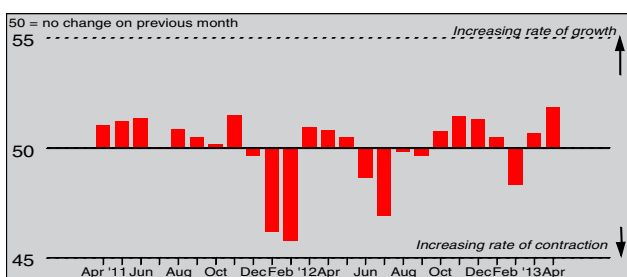
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



April data indicated that stocks of finished goods were depleted for the sixth straight month, in some cases due to firms settling outstanding contracts from existing inventory. However, the rate of decline was only slight and the slowest during that period. There were reports that weaker than hoped for sales volumes had resulted in the build-up of stocks at some companies.

Employment Index

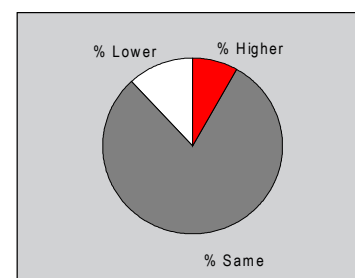
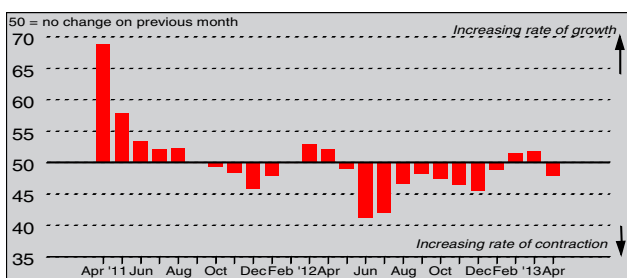
Q. Please compare the level of employment at your unit with the situation one month ago.



April data signalled an increase in staffing levels at Vietnamese manufacturers, the second in successive months. Where jobs growth was reported, this was generally attributed to the recent mild upticks in production and sales volumes. The seasonally adjusted Employment Index rose to its highest level in the 25-month series history, but nonetheless posted a reading consistent with only a modest increase in workforce numbers.

Output Prices Index

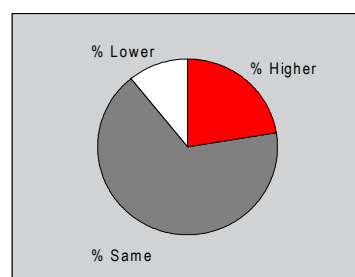
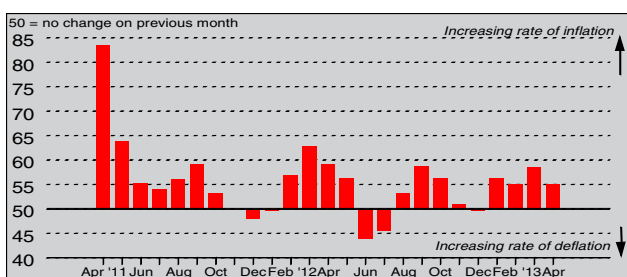
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Average factory gate prices declined for the first time in three months during April, reflecting (in part) discounts offered by manufacturers to support sales volumes. Moreover, the rate of decline in output charges was the sharpest in the year-to-date. There were a number of reports of market conditions remaining highly competitive, restricting the ability of companies to pass on higher costs to their clients.

Input Prices Index

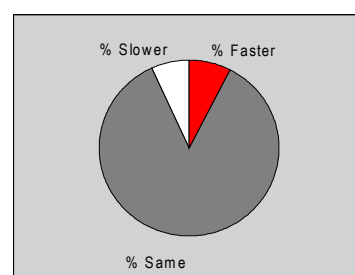
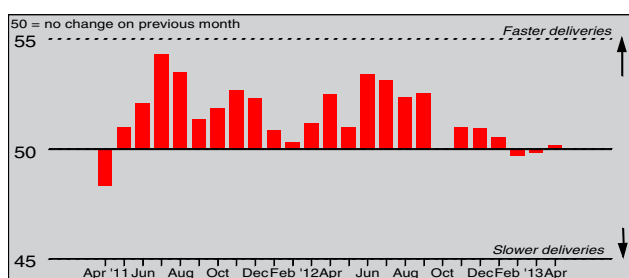
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



Average input prices rose for the fourth successive month in April, with over 22% of survey respondents reporting an increase in their purchasing costs. Companies reported that prices of a number of inputs had risen in domestic and international markets, in some cases due to supply shortages. That said, the rate of inflation signalled by the latest survey data was less marked than March's six-month peak.

Suppliers' Delivery Times Index

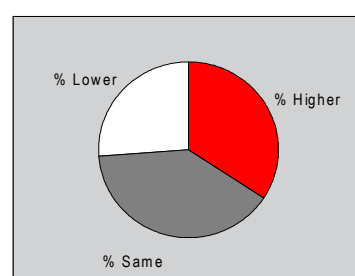
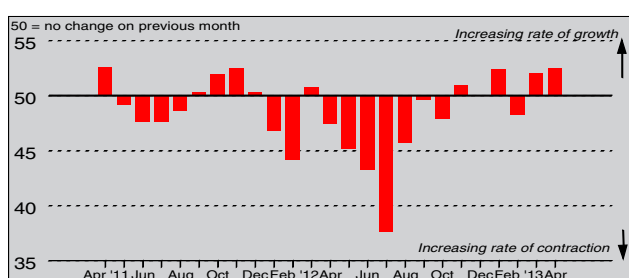
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Supply-chain pressures remained in a broadly balanced state during the latest survey period, as companies reported little change in average vendor lead times for the fourth month running. Over 85% of survey respondents reported no change in supplier delivery times, with broadly similar proportions reporting either improvement or deterioration.

Quantity of Purchases Index

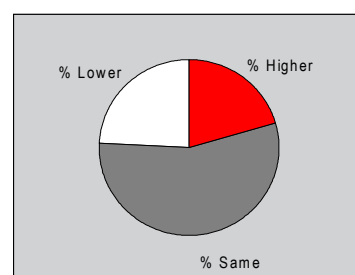
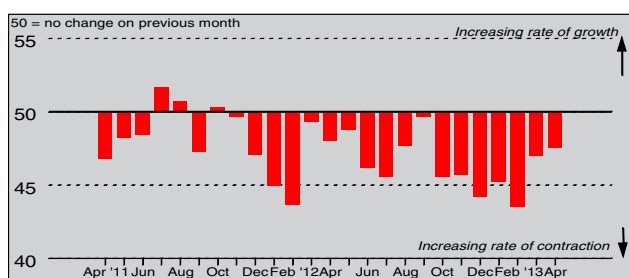
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



April data signalled an increase in purchasing activity for the second month running, in part reflecting higher production requirements. There were also reports of input buying volumes being raised to reduce the pressure on raw material stocks. The latest increase in purchasing activity was solid and among the greatest in the 25-month survey history.

Stocks of Purchases Index

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



Higher levels of purchasing activity failed to prevent a further decrease in holdings of raw materials and semi-manufactured goods in April. Stocks of purchases have now fallen throughout the past one-and-a-half years. However, the rate of depletion eased further from February's series record to its slowest since September 2012.

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 400 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.