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HSBC Vietnam Manufacturing PMI™

Vietnam Manufacturing PMI rises to its highest level since September 2011

Key findings:

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

This report contains the eighth 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.

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

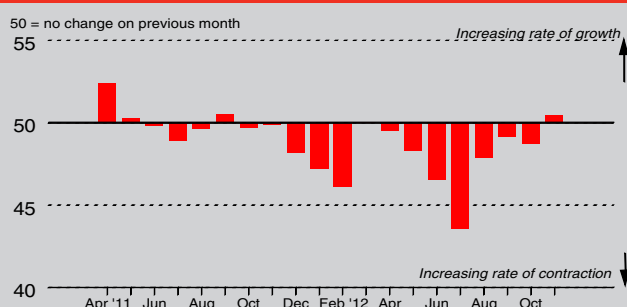
of expansion was the strongest since April 2011. Backlogs of work meanwhile decreased for the eighth consecutive month, suggesting a general lack of pressure on operating capacity across the Vietnam manufacturing sector.

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.

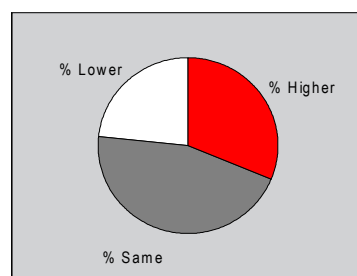
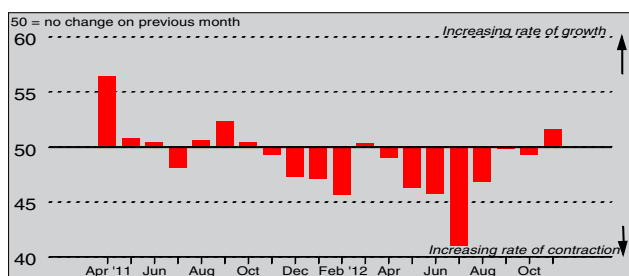
HSBC Vietnam Purchasing Managers' Index™ (PMI™)



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

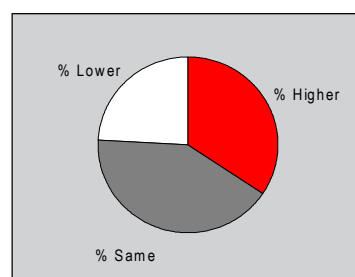
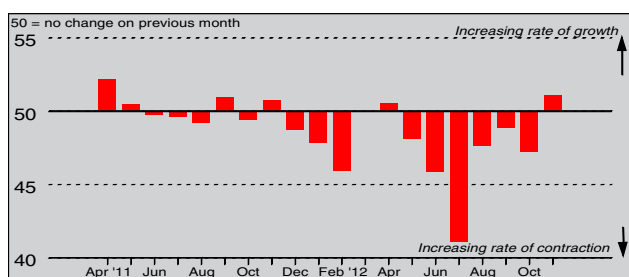
Q. Please compare your production/output this month with the situation one month ago.



November data signalled a return to output growth across the Vietnam manufacturing sector, following a seven-month period of decline. Although the seasonally adjusted Output Index pointed to only a marginal pace of expansion, the latest reading was the highest since September 2011. Stronger production volumes were linked to higher levels of new work, especially from domestic clients.

New Orders Index

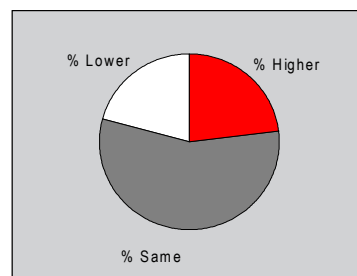
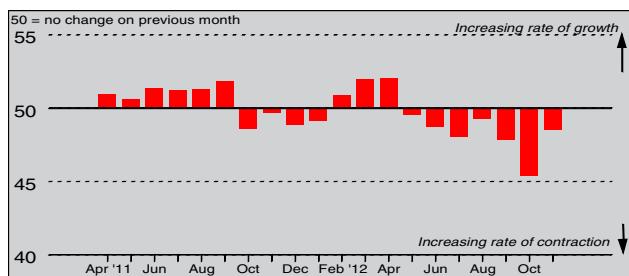
Q. Please compare the level of new orders received (Vietnam and export) this month with the situation one month ago.



The seasonally adjusted New Orders Index posted above the 50.0 no-change value in November, thereby ending a six-month period of falling new business intakes. Latest data indicated a marginal rate of new order growth. However, the latest reading was well above October's three-month low and the highest since April 2011. Manufacturers generally pointed to improvements in overall demand, despite subdued export intakes.

New Export Orders Index

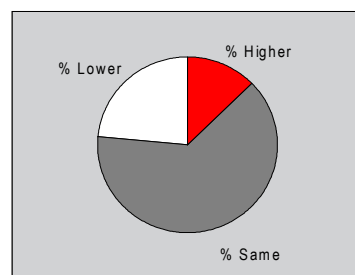
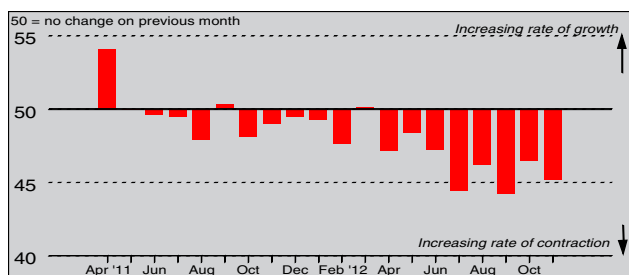
Q. Please compare the level of new export orders received this month with the situation of one month ago.



Manufacturers in Vietnam pointed to a further reduction in new business intakes from abroad, extending the current period of decline to seven months. That said, the rate of contraction eased from October's series-record low, and was the slowest since August. Companies that reported a drop in their new export orders mostly cited relatively subdued demand across Asia, as well as the ongoing economic downturn across Europe.

Backlogs of Work Index

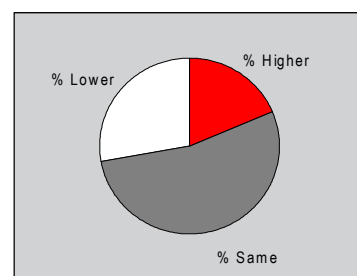
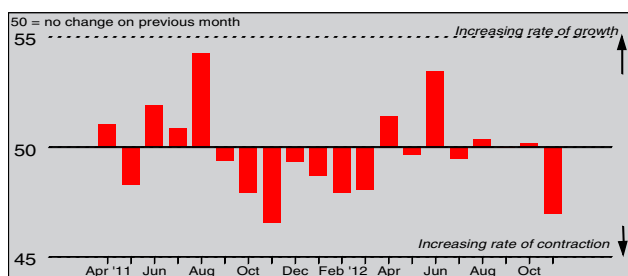
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Backlogs of work continued to fall in the Vietnam manufacturing sector during November, suggesting a general lack of pressure on operating capacity. The seasonally adjusted index measuring outstanding business volumes in the sector has now posted below the neutral 50.0 mark for eight months running.

Stocks of Finished Goods Index

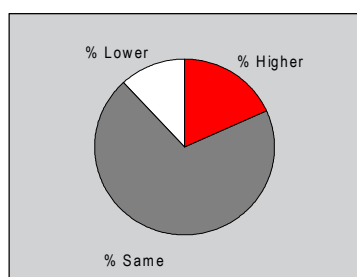
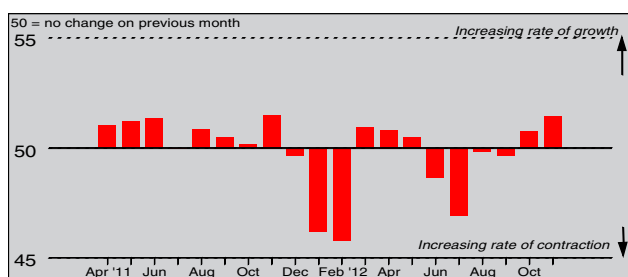
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



Post-production inventories decreased during November for the first time in four months. The seasonally adjusted Stocks of Finished Goods Index signalled a solid pace of contraction that was the fastest for a year. A number of manufacturers suggested that stronger-than-expected sales had driven the fall in their stocks of finished goods.

Employment Index

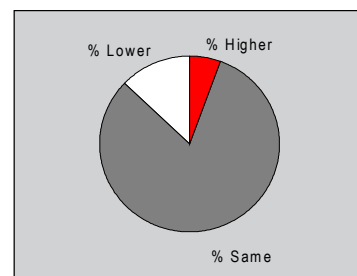
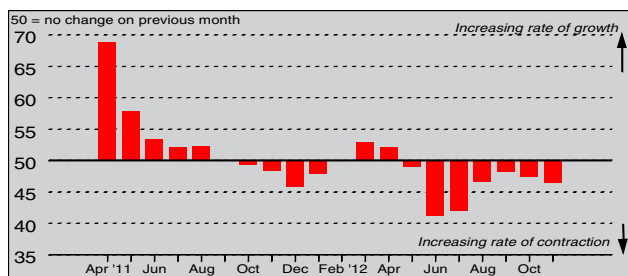
Q. Please compare the level of employment at your unit with the situation one month ago.



Jobs growth was recorded for a second consecutive month in November. Although the seasonally adjusted Employment Index signalled a moderate pace of job creation, the latest rise in manufacturing workforce numbers was the most marked for a year. Additional staff recruitment was primarily linked to stronger inflows of new business during the latest survey period.

Output Prices Index

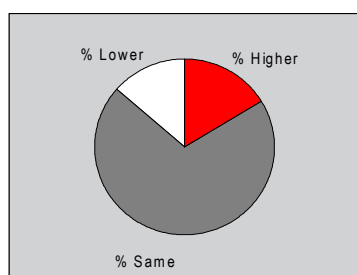
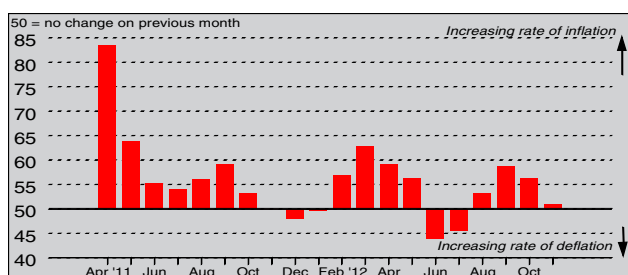
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



November data suggested that the upturn in new work across the Vietnam manufacturing sector was supported by price discounting strategies. The seasonally adjusted Output Prices Index indicated a solid drop in factory gate charges, and the rate of reduction accelerated to its fastest since August. Lower average output prices have been recorded in each of the past seven months.

Input Prices Index

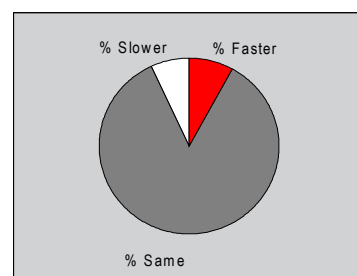
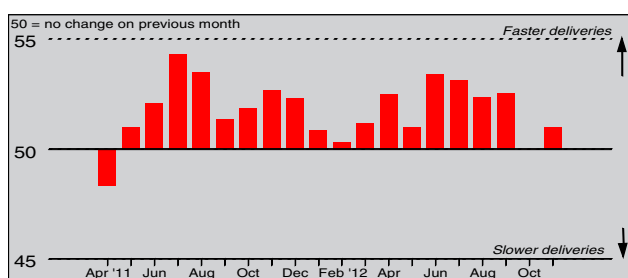
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



Manufacturers suggested that price discounting strategies were helped by softer cost pressures in November. Latest data pointed to only a marginal rate of input price inflation, with the seasonally adjusted Input Prices Index dropping to a four-month low. Companies that reported an increase in their cost burdens mostly attributed it to higher oil-related prices.

Suppliers' Delivery Times Index

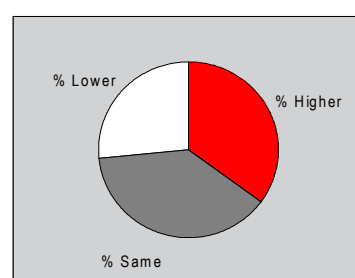
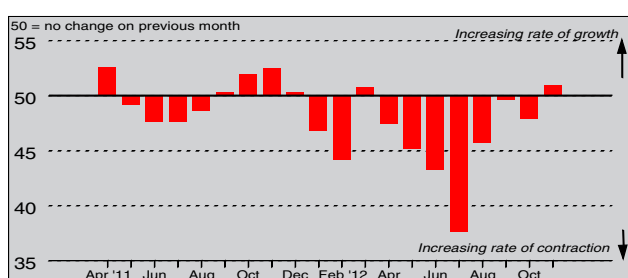
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



November data signalled a moderate improvement in vendor performance, following no-change during the previous month. This was highlighted by the seasonally adjusted Suppliers' Delivery Times Index registering above the neutral 50.0 mark for the eighteenth time in the past 19 months. Some firms noted that faster delivery times from suppliers reflected an improvement in raw material availability over the month.

Quantity of Purchases Index

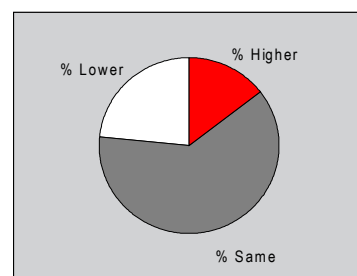
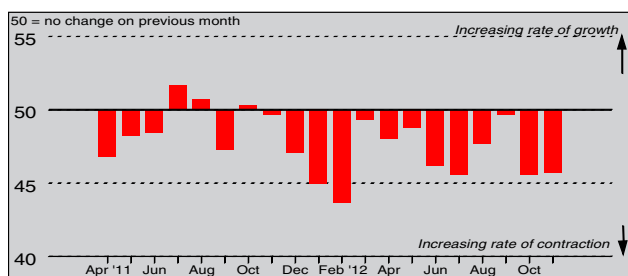
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Input buying increased during November, which was the first expansion in eight months. Although the rise in purchasing activity was only moderate, the seasonally adjusted Quantity of Purchases Index showed that the rate of growth reached its fastest for a year. Manufacturers that raised their input buying generally cited stronger demand and expectations of higher production requirements at their plants.

Stocks of Purchases Index

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



Pre-production inventory levels dipped in November for the thirteenth consecutive month. The seasonally adjusted Stocks of Purchases Index signalled a solid pace of contraction that was little-changed since October. Anecdotal evidence suggested that reduced inventories of purchases reflected a combination of higher-than-expected demand, alongside ongoing efforts to streamline stocks.

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.

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