

# Vietnam

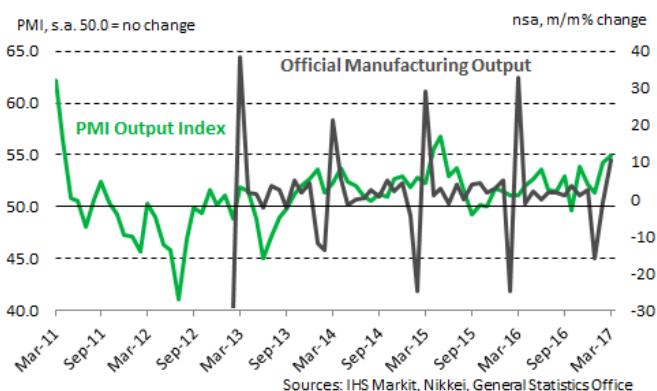
## Manufacturing top performer in Vietnam at end of first quarter

- **GDP growth disappoints, but manufacturing performs well**
- **PMI posts highest quarterly average in six-year survey history**
- **Cost inflation at near six-year high in March**

The manufacturing sector in Vietnam remained a key driver of growth in the first quarter of the year, with latest Nikkei PMI data from IHS Markit suggesting cause for optimism in coming months. The sector is having to do a lot of the heavy lifting for the economy at present, as other areas such as agriculture and mining are struggling.

The headline manufacturing PMI – which measures changes in the health of the sector – posted its highest quarterly average in the six-year survey history during the first three months of 2017. The rate of output growth accelerated to the strongest since May 2015 amid a further sharp rise in new orders. The derived orders-to-inventories ratio also increased to reach a nine-month high, suggesting that firms will need to raise production further in coming months in order to keep up with demand.

### Manufacturing PMI Output Index v Official data



A further sign of positive expectations was a sharper pace of job creation in March. Firms responded to higher workloads by taking on extra staff, with the latest increase the fastest since September last year, and one of the strongest in the six-year survey history.

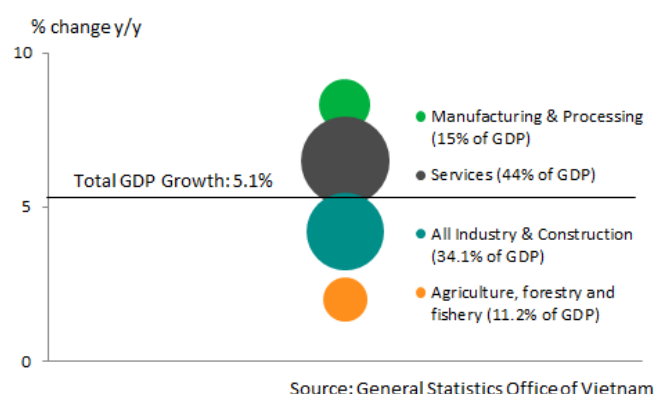
### GDP growth slows

Official GDP data for the first quarter of the year showed a 5.1% year-on-year increase in output. This was the slowest expansion in three years and puts in doubt the ability of the economy to meet the government's target of 6.7% growth for 2017 as a whole. IHS Markit is currently forecasting a rise of 6.4%.

Agriculture remains a key area of weakness in the Vietnamese economy amid the worst drought in nearly a century. Output in the sector was up only 2% on the year.

Manufacturing remained a standout performer in the GDP data, confirming the upbeat picture from the PMI and outpacing the other major parts of the economy. While industrial production overall was up only 3.85% after a sharp contraction in mining output, the manufacturing sector posted an 8.3% increase, above the 6.5% rise seen in services.

### Q1 National Accounts data

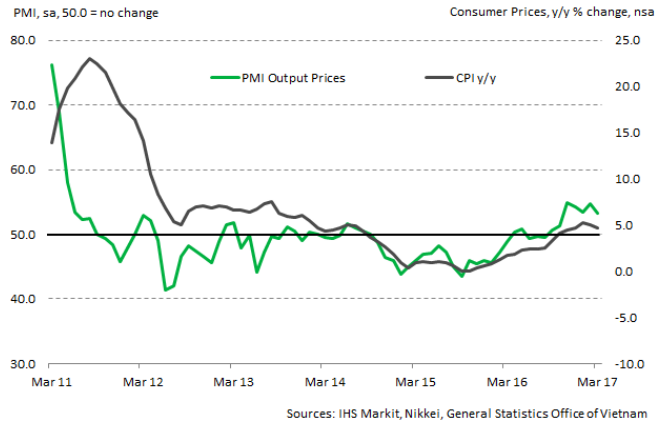


### Solid price rises at end of Q1

As has been the case in a number of economies globally, inflationary pressures picked up in Vietnam in the first quarter of 2017. Consumer price inflation hit a three-year high of 5.2% in January and has remained close to this level since then, broadly in line with the signal from the PMI Output Prices Index.

Rising selling prices have been attributed by panellists to higher input costs, with the rate of inflation at a near six-year high in March. Companies have commonly reported higher prices for oil and raw materials, as well as increased import prices resulting from currency weakness.

**Manufacturing PMI Output Prices Index v Official data**



The next PMI release, covering data for April, will be on May 3<sup>rd</sup> and will provide the first insights into trends in the second quarter of the year.

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