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Rising Industrial Inventories Worry Businesses and Bankers

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Vietnamese media keep telling the public about the problem of rising financial burdens caused by interest rates and shrinking funds availability, pushing many non-financial SMEs to the verge of collapse. However, little attention was paid to the issue of rising inventories at manufacturing and processing firms, which potentially could lead to more emergent and apparent risks.

Recently, Vietnam SMEs Association and VCCI repeatedly mentioned that possibility of 30 percent of Vietnamese SMEs (small- and medium-sized enterprises) being forced to shut down due to financial burden, severe shortage of working capital and loss making.

While gauging the risk itself is quite a conundrum due largely to inefficient statistics system in place, measuring inventories could perhaps be an efficient proxy for learning about real industrial situation.

Construction steel, used for the booming real estate sector of Vietnam, has had a total inventory of almost 600,000 tons at steel mills and traders' warehouses. This is a very large figure compared to small scale of Vietnam's steel consumption in recent years (Vietnamica; [Aug 8, 2011](#)).

The Vietnam General Statistics Office (GSO) also released some indicative data for industrial inventories, which basically tells that overall, the manufacturing and processing industries now saw a rising level of inventory by 16 percent in Jul 2011 from a year earlier.

Some specific industries with appalling inventory increase (in percentage from July 2010) can be cited here, according to GSO: Furniture +92 percent; non-alcoholic beverage +84 pct; electric cable +74 pct; beer +72 pct; animal feed 38 pct; footwear 40 pct; fabrics 34 pct; motorbike 25 pct; cement 22 pct, just to name a few.

In fact, some industries with better chance of exporting to regional and international markets - such as cement with a plan of 2.8 million tons of cement and clinker exports in 2011 - could make effort to weather down this financial turbulence (Vietnamica; [Aug 13, 2011](#)). But most other industries could hardly manage to do the same.

Rising inventories may indicate some potential risks that should be better measured if local industries wish to plan their production and sales ahead amid the coming difficult months in renewed financial turmoil.

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