

IHS Markit Thailand Manufacturing PMI™

Thai manufacturing sector contracts amid lacklustre demand

Key findings

Demand and output trends continue to deviate

Output price inflation surges to record

Business confidence improves in December

Data were collected 6-16 December 2021.

Thailand's manufacturing sector returned to contraction according to the latest IHS Markit PMI™ data following two consecutive months of expansion. Lacklustre demand amid a slow economic recovery held the sector back even as manufacturing output continued to expand. In turn, employment conditions weakened. While vendor performance improved in December, price pressures persisted, leading to continued stockpiling efforts. Overall sentiment meanwhile improved with hopes for continued recovery.

The headline IHS Markit Thailand Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 represents an overall improvement in manufacturing conditions.

The PMI fell past the neutral 50.0 threshold to 49.5 in December from 50.6 in November, to signal a deterioration in the health of the Thai manufacturing sector. This follows a two-month period in which the sector improved following the easing of COVID-19 restrictions.

Manufacturing output continued to expand at a strong pace in December, albeit easing further from the October record. Panellists cited improvement in domestic conditions that enabled production to rise.

On the other hand, demand conditions, including foreign demand, were affected by the slow recovery in broader economic conditions. Survey respondents reported that higher product prices also had a negative impact on new orders.

Indeed, both input cost and output price inflation picked up in December, with output prices rising at a record rate. Thai

continued...

Thailand Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Jingyi Pan, Economics Associate Director at IHS Markit, said:

“Thai manufacturing output sustained its growth in December, reflecting the continued boost from the easing of COVID-19 restrictions. That said, the headline IHS Markit Thailand Manufacturing PMI showed the sector returning to contraction in December, weighed by weak demand and employment conditions which remained worrying developments.

“Anecdotal evidence suggested that demand was affected in part by a sharp rise in costs, reflecting the strain from rising worldwide prices upon new orders. This was even as suppliers' lead times improved significantly in December.

“Overall business confidence rose in December, which was a heartening sign for the Thai manufacturing sector. It will be important to see this optimism translate to actual improvements in both demand for goods and in hiring activities going forward.”

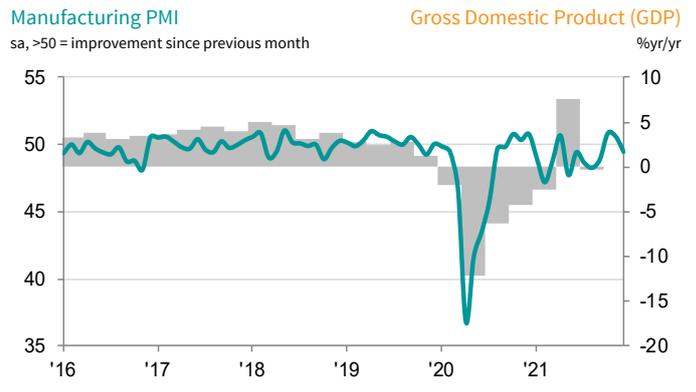
manufacturers cited higher raw materials and transportation costs driving the increase in overall prices.

As a result of the fall in demand, employment levels dipped in the Thai manufacturing sector and at the fastest rate since October. The rise in production coupled with the decline in workforce capacity saw the accumulation of backlogged work for the first time since September 2020.

Suppliers' delivery times meanwhile improved at a record rate in December although this may be a temporary phenomenon as vendors were reported to have improved their efficiency for the year-end period.

Meanwhile, a sharp rise in prices induced Thai manufacturers to increase their purchasing activity. While some of this was to meet the increase in production, others did so to mitigate against future price hikes. Stocks of purchases and inventories of future goods both increased in December.

Overall sentiment among Thai manufacturers remained positive in December with the level of business confidence climbing to the third highest on record. Firms were generally hopeful that economic conditions and future output will improve as the economy recovers from the COVID-19 Delta wave impact.



Contact

Jingyi Pan
Economics Associate Director
IHS Markit
T: +65 6439 6022
jingyi.pan@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44 207 260 2234
joanna.vickers@ihsmarkit.com

Methodology

The IHS Markit Thailand Manufacturing PMI™ is compiled by IHS Markit from responses to monthly questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

Data were collected 6-16 December 2021.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS 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 IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2022 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, click here.

About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.
ihsmarkit.com/products/pmi.html