

IHS Markit Thailand Manufacturing PMI™

Manufacturing sector contraction worsens as COVID-19 cases increase

Key findings

Demand and production decline at faster rates in July

Input costs pressures and delivery delays ease

Firms less pessimistic regarding 12-month outlook

Data were collected 12-22 July 2021.

Thailand's manufacturing sector contracted for a third straight month and at a faster rate according to the latest IHS Markit PMI™ data. Demand and production both saw sharper declines as the COVID-19 disruption worsened in the country with the spread of the more infectious Delta variant. Firms were however relieved of some input cost pressures, and turned slightly less pessimistic in July.

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 eased to 48.7 in July from 49.5 in June, remaining below the 50.0 no-change mark for the third consecutive month to signal a deterioration in the health of the Thai manufacturing sector. The latest figure indicated a sixth monthly contraction in the year-to-date. The July reading had also fallen below the long-run survey average of 49.4 (since December 2015).

Demand and output both shrank for a third consecutive month in line with the headline PMI reading. The pace at which new orders and output declined were noticeably shaper compared to June and were faster than the survey's averages to signal deterioration in economic conditions. Panellists broadly noted the aggravation of COVID-19 conditions contributed to the worsening of the manufacturing sector contraction.

New orders from abroad were an exception, sustaining growth for the fifth month running and at a pace that was comparable to June.

Given the slower demand conditions, firms remained cautious

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:

"The latest IHS Markit Thailand manufacturing PMI indicated that the manufacturing sector contraction had worsened in July and this is congruent with the deterioration of COVID-19 conditions in the country. Both demand and production were evidently affected."

"The softer demand conditions had helped to ease pressures with respect to input cost inflation and lead times, but manufacturers remained very cautious given the current backdrop and this is evident with their employment and inventory holding conditions."

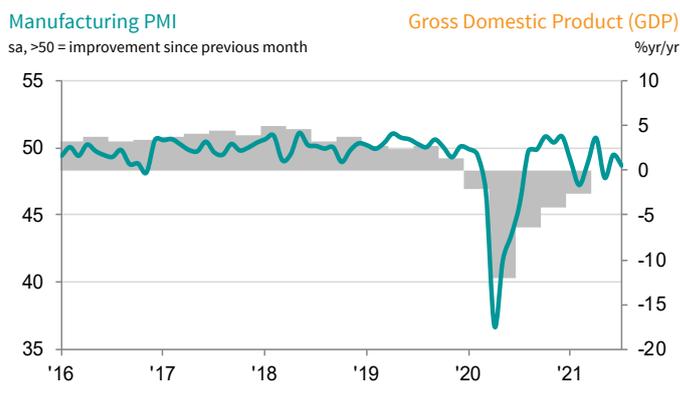
"Firms remained largely pessimistic in July, but slightly less so despite the hike in COVID-19 cases. Attention on the progress of the vaccination drive continues."

with employment. Lower staffing levels were recorded in July and for the thirty-fourth consecutive month. While manufacturers reported the effects of the COVID-19 resurgence being a key driver for the shedding of jobs, also saw resignations as a factor leading to the fall in workforce numbers.

The overall drop in demand also caused work outstanding to fall in the manufacturing sector. The level of backlogged work eased for a sixth straight month. Firms also reduced their quantity of purchases for a third month running, although coupled with the production slowdown, the average level of stocks of purchases had remained unchanged from June.

On prices, average input costs were almost unchanged from June, signalling easing cost pressures though some firms continued to cite a shortage of raw materials contributing to higher costs. Meanwhile output charges increased at a steady but marginal rate in July. Lead times shortened for the first time in four months.

Overall, firms remained pessimistic with regards to the 12-month outlook on the back of the sustained COVID-19 disruptions but were slightly less so compared to June with some hoping for improvements ahead.



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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 12-22 July 2021.

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

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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.
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