

# Nikkei Thailand Manufacturing PMI™

## Thai manufacturing conditions broadly stagnant in August

### Key points:

- Output growth slows further, while new orders fall
- Export sales decline
- Inflationary pressures pick up, but remain mild

Data collected August 13-22

Survey data indicated broadly unchanged manufacturing conditions in Thailand midway through the third quarter. Production rose further, but at a slower pace, while total new orders, including exports, fell. Inventories of both input and finished goods also declined.

Although backlogs returned to growth in August, the increase was marginal. On the price front, inflationary pressures rose, but were still mild overall. Meanwhile, Thai manufacturers remained slightly positive about the business outlook.

The seasonally adjusted **Nikkei Thailand Manufacturing Purchasing Managers' Index™ (PMI™)** eased from 50.1 in July to 49.9 in August, signalling stable conditions in the health of the sector. This took the third quarter average so far to 50.0, in contrast to the mild gains seen in the previous three quarters.

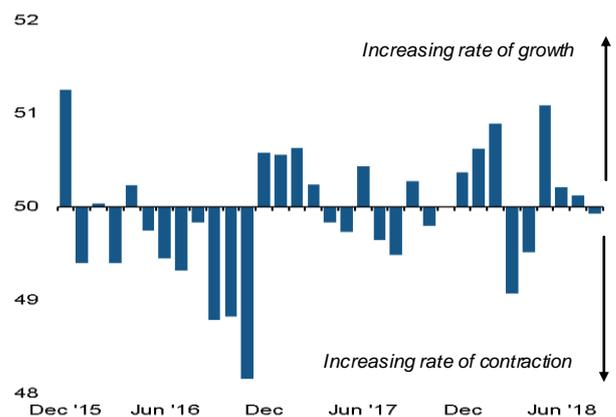
The headline PMI provides a snapshot of the manufacturing performance in the country and derives from questions on output, new orders, employment, inventories and delivery times.

There were further signs of soft client demand coming from the latest survey data. Inflows of new orders fell for a third month in a row, albeit marginally. Softer demand was not limited to domestic sources, but overseas markets as well. Having expanded in July, export sales declined in August.

Meanwhile, Thai factories raised output volumes further in August, but at a noticeably slower rate, which was the weakest since April.

Amid weak sales, Thai manufacturers remained reluctant to take on more workers. Employment levels declined further, although the rate of decrease was the slowest since June 2017.

Nikkei Thailand Manufacturing PMI



Sources: Nikkei, IHS Markit

Acquisition of raw materials and semi-finished products was raised in the middle of the third quarter to meet higher production requirements. However, the rate of purchasing was the slowest for four months.

Despite increased appetite for inputs, suppliers were able to cope with higher demand. Average lead times remained broadly unchanged for a second straight month during August. Higher purchasing activity failed to boost inventory levels. Input stocks were depleted, albeit marginally. Post-production inventories were also drawn down.

On the price front, Thailand's manufacturing firms faced higher input costs during August. Input price inflation accelerated to a four-month high, though still below the first half average and mild overall. The cost increase led companies to raise factory gate prices for the first time in three months, although inflation was marginal. Higher prices for raw materials were a common reason cited for inflation.

Finally, business confidence relating to future output remained positive in August, but the latest reading remained well below the historical average. Optimism was generally linked to promotional and marketing activity, new client wins and higher sales forecasts.

## Comment:

Commenting on the Thai Manufacturing PMI survey data, **Bernard Aw**, Principal Economist at IHS Markit, which compiles the survey, said:

*“Thailand’s manufacturing conditions were broadly stagnant in the middle of the third quarter, according to the latest Nikkei PMI data. Output grew further, but new business inflows fell. Export sales notably declined during August.”*

*“The weakness in export trends, as signalled by the PMI, raises questions if the current GDP growth momentum could moderate further in coming months. Official export data have already indicated a slowdown on a three-month moving average basis.”*

*“Meanwhile, the PMI’s gauge of input prices showed signs of a pick-up in inflationary pressure, although external factors, such as higher oil prices, are the key driver of inflation, rather than rising domestic demand. As such, firms only raised selling prices slightly.”*

*“While the Thai central bank is starting to consider raising interest rates to build policy space in the future, according to the latest meeting minutes, any such decision is unlikely to hinge on inflationary pressures, which remain mild.”*

-Ends-

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**Notes to Editors:**

The Nikkei Thailand Manufacturing *PMI*<sup>™</sup> is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by GDP and company workforce size. The manufacturing sector is divided into the following 8 broad categories: Basic Metals, Chemicals & Plastics, Electrical & Optical, Food & Drink, Mechanical Engineering, Textiles & Clothing, Timber & Paper and Transport.

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'. 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.

The Nikkei Thailand Manufacturing *PMI*<sup>™</sup> is a composite index based on five of the individual indexes with the following weights: 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.

IHS 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. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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