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IHS Markit Thailand Manufacturing PMI™

Greater client demand lifts order book growth to survey high

Key findings

New orders increase at fastest rate in survey history...

... which boosted production and purchasing activity

Factory employment continues to decline

Growth in the Thai manufacturing sector remained steady in June. New order book volumes were up at a survey-record pace in June, which spurred firms to lift output and quantities of purchases to greater extents. Business sentiment also ticked higher. However, employment continued to decline while distributors were more than capable to cope with greater demand.

On the price front, goods producers raised selling prices at a notably higher rate despite a mild rise in overall cost burdens.

At 50.6 in June (May: 50.7), the Thailand Manufacturing Purchasing Managers' Index™ (PMI™) pointed to another marginal improvement in the health of the sector. The headline index was weighed down by decreases in employment and input inventories, alongside an improvement in vendor performance. Nonetheless, the June data meant that, over the second quarter as a whole, the Thai manufacturing sector enjoyed its best quarterly performance since the survey began in December 2015.

Greater client demand, particularly from external markets, together with new product launches and a rise in infrastructure projects reportedly underpinned sales growth in June. The latest rise in factory orders was the quickest in the series history and solid overall. External sales continued to contribute to total order flows, with exports expanding at the second-quickest pace on record.

Companies responded to higher sales by ramping up production at the quickest rate for a year. Increased output requirements, however, led to the first decline in input holdings for four months despite greater purchasing activity.

Likewise, efforts to fulfil orders in a timely manner contributed to another depletion in stocks of finished goods.

continued...

Thailand Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Bernard Aw, Principal Economist at IHS Markit, said:

"Thailand's manufacturing sector enjoyed its best quarterly performance since PMI data collection first began in December 2015, according to the latest IHS Markit PMI survey.

"Recent positive PMI readings suggest that second quarter GDP growth would receive a significant boost from solid manufacturing expansion. The latest survey data are broadly consistent with annual GDP growth rates of around 4%.

"The most valuable takeaway from the June report were signs of strengthening demand as indicated by a survey-record growth in new business, which was primarily lifted by solid export demand. New export order growth was the second-strongest on record. This could alleviate, to some extent, concerns about business activity at a time of increasing uncertainty over trade conditions as well as greater (US-led) protectionism."

Greater appetite for inputs failed to strain supply chains. On the contrary, vendors improved on their delivery performance for a fourth straight month, albeit marginally.

Thai manufacturers generally remained confident of a rise in output in the year ahead, with sentiment improving from May. Anecdotal evidence revealed that production growth reportedly would stem from improving economic conditions, higher sales forecasts, planned business expansions, marketing initiatives and a favourable political climate following the elections.

The positive mood among goods producers, coupled with a solid increase in new work however did not lead to job creation in the sector. Employment continued to fall in June, registering the ninth monthly decrease. The main reason for lower job numbers was reported to be voluntary leavers.

Input cost inflation in Thai's manufacturing industry ticked higher during June, with inflation generally linked to higher costs of input materials, such as metal and food items, as well as greater fuel prices and delivery fees. Efforts to pass on higher business expenses to customers saw firms hiking selling prices to the greatest extent since February 2018.



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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.

June 2019 data were collected 12-20 June 2019.

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

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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. To learn more go to ihsmarkit.com/products/pmi.html.