

IHS Markit Thailand Manufacturing PMI™

Expansion of Thai manufacturing sector continues in November

Key findings

Manufacturing output growth sustained but demand stays weak

Price pressures rise with higher raw material costs

Business confidence improves sharply

Data were collected 12-22 November 2021.

Thailand's manufacturing sector recorded a second month of expansion according to the latest IHS Markit PMI™ data following five months of downturn. A further easing of COVID-19 restrictions enabled production to continue growing though demand has yet to show signs of catching up. That said, firms were generally hopeful and raised their buying activity. Employment fell again, however, while lead times continued to lengthen, contributing to greater price pressures alongside higher raw material costs.

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.

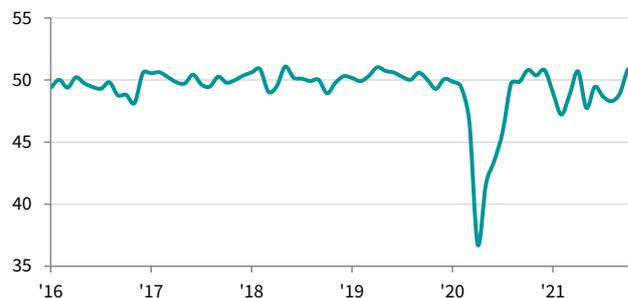
The PMI eased to 50.6 in November from 50.9 in October, though remaining above the 50.0 no-change mark to signal a second consecutive month in which the health of the Thai manufacturing sector improved. This follows a five-month period in which the sector contracted, affected by the COVID-19 Delta wave.

A further easing of COVID-19 restrictions saw manufacturing output in Thailand rise for a third consecutive month. Instances of better domestic demand supported the rise in production according to survey respondents.

Overall demand however remained subdued in the Thai manufacturing sector, accounted for by lingering COVID-19 disruptions according to anecdotal evidence. Foreign demand notably fell at a faster rate despite Thailand having reopened to vaccinated visitors.

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:

“Expansion of the Thai manufacturing sector continued in November, according to the latest IHS Markit Thailand Manufacturing PMI, though the momentum eased slightly from October. A further easing of restrictions enabled production growth to sustain, but it would have been more encouraging to see demand likewise improving for Thai manufacturers and the translation to higher employment levels.

“That said, optimism amongst Thai manufacturers improved sharply in November with the easing of COVID-19 restrictions fuelling hopes for better economic recovery ahead. Firms were also seen ramping up their buying activity in anticipation of higher future demand, reflecting better business confidence.

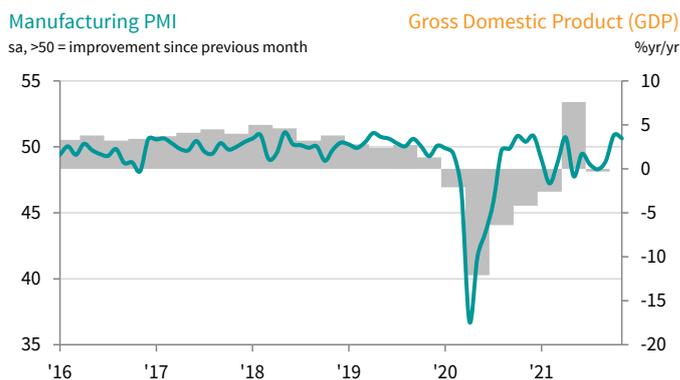
“Price pressures and supply constraints remain common themes to keep a close eye on in the early recovery phase for their effect in hampering production growth.”

As a result, the level of work outstanding continued to decline in November. Employment levels likewise dipped, although Thai manufacturers largely reported resignations having accounted for the fall in workforce capacity.

Views on future output meanwhile continued to improve with the easing of COVID-19 restrictions in the Thai economy viewed to be a positive step for economic recovery. Business confidence climbed to the third highest level on record.

The anticipation for higher manufacturing activity ahead also translated to greater purchasing activity by firms in November, leading to an increase in the stocks of input inventory. The level of post-production goods likewise rose, though this was also partly accounted for by outbound shipping delays. Indeed, suppliers' delivery times further lengthened in November and at a faster rate compared to the previous month, caused by congestions and instances of flooding in Thailand.

On prices, both input costs and output charges continued to extend their respective sequence of increases. Output price inflation notably accelerated to a record rate in November as firms passed on the higher input costs, attributed to price increases across items including raw materials and fuel, to customers.



Sources: IHS Markit, NESDB.

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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 November 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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