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# IHS Markit Thailand Manufacturing PMI™

## Thai manufacturing orders rise further in September

### Key findings

Production expands amid improving domestic demand

First backlog accumulation since January

Export sales fall at noticeably slower pace

Data were collected 11-22 September 2020

Thailand's manufacturing conditions steadied at the end of the third quarter, supported by mild growth in both production and sales. Further order book growth contributed to a rise in backlogs for the first time since January. That said, firms remained cautious towards hiring and stock-building, while business sentiment turned negative.

The Thailand Manufacturing *Purchasing Managers' Index™* (PMI™) rose from 49.7 in August to 49.9 in September, its highest level since January. The latest reading indicated little change in the performance of the sector from the previous month. At 48.5, the average PMI for the third quarter was noticeably higher than that in the second quarter (40.6) at the peak of the coronavirus disease 2019 (COVID-19) pandemic.

The headline PMI is a composite index derived from a weighted average of five sub-indices: output, orders, employment, inventories and delivery times.

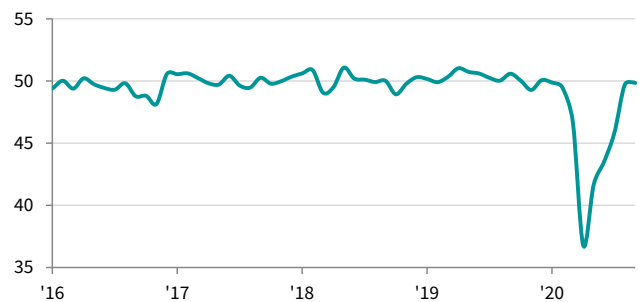
Demand conditions improved further in September, with new business inflows increasing at the fastest pace for nearly a year. The upturn in sales was driven mainly by the domestic market as external demand remained weak. New export orders contracted further, but at the slowest pace in the current sequence of decline.

Further order book growth was accompanied by increased production volumes. Output rose for the second straight month during September, though the rate of expansion moderated and was marginal overall.

With a sustained increase in sales came greater pressure on the operating capacity of firms. Backlogs of work accumulated for the first time since January, with anecdotal evidence also pointing to reduced workforce numbers as a reason.

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:

*"Latest PMI data signalled a stabilisation of the Thai manufacturing conditions in September, with output and sales increasing further. Backlogs of work consequently rose after a seven-month period of decline, hinting at higher production in the coming months."*

*"However, the survey also brought some concerns. Companies continued to reduce workforce numbers and purchasing activity as part of efforts to control costs in order to remain viable. Business sentiment weakened in September as firms expressed worries about subdued world trade flows, damaged balance sheets and ongoing social distancing measures globally."*

*"A subsequent loss of recovery momentum may therefore require the government to consider additional policy support, depending on the pandemic situation as well as the global economy."*

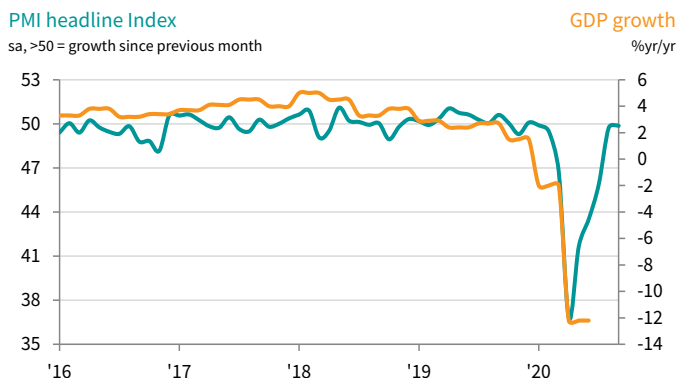
Employment numbers were cut again in September, marking two years of continuous decline.

Despite the upturn in production and sales, Thai factories remained reluctant to invest in new capacity or build up inventories. Purchasing activity was reduced for the seventh straight month in September, contributing to a further drop in input inventories. Stock-holdings of finished goods also fell, with panellists highlighting efforts to avoid keeping excess stocks.

The time taken to distribute inputs to manufacturers was unchanged from August as weather-related delays and labour shortages at some firms were offset by greater transportation capacity.

Price pressures remained subdued in September. Average cost burdens were largely unchanged from August, having fallen in the previous three months. Firms reduced their selling prices further, citing price discounts to boost sales.

Finally, business confidence fell in September, with a greater proportion of panellists anticipating a fall in output over the next 12 months than those expecting an increase. Pessimism was linked to still-subdued global trade, uncertainty surrounding the course of the pandemic trajectory, and damaged corporate finances.



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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.

September 2020 data were collected 11-22 September 2020.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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.  
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