

IHS Markit Thailand Manufacturing PMI™

Strongest rise in output for a year-and-a-half in December

Key findings

Production and new orders both rise for fifth straight month

Input price inflation accelerates to 15-month high

Weakest reduction in employment since January

Data were collected 4-15 December 2020

The situation in Thailand's manufacturing sector continued to brighten at the end of 2020, according to the December PMI™ survey data. Overall business conditions improved for the third successive month, following a severe downturn earlier in the year due to restrictions imposed to combat the coronavirus disease 2019 (COVID-19) pandemic. Moreover, output increased at the fastest rate since April 2019. New orders rose for the fifth month running and there was evidence of supply chain pressures feeding through to costs, as average purchase prices rose the most since September 2019. Employment continued to fall, albeit at the weakest rate since January.

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 rose to 50.8 in December, from 50.4 in November, signalling a third successive month-on-month improvement in overall business conditions. The latest figure was also the joint-highest in 20 months and above the survey average (since December 2015) of 49.4.

The increase in the headline figure in December was almost wholly driven by the output component. Three other components – employment, stocks of purchases and suppliers' delivery times – also had slight positive directional influences on the PMI, while new orders weighed slightly on the headline figure with a slower rate of growth than in November.

Manufacturing output in Thailand rose for the fifth consecutive month in December, and at the fastest rate since April 2019.

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



Source: IHS Markit.

Comment

Commenting on the latest survey results, Trevor Balchin, Economics Director at IHS Markit, said:

"Thailand's manufacturing sector continued to experience a recovery in overall business conditions in December, with further growth in output and new orders continuing to outweigh another round of job shedding. Crucially, the PMI has remained above 50.0 throughout the fourth quarter, strongly suggesting a return to year-on-year GDP growth at the end of a challenging 2020.

"Indicators for output, new orders, purchasing, inventories and backlogs are all running above their long-run averages. There are also signs of returning inflationary pressures in the sector with output prices rising for the first time in over a year and input cost inflation at a 15-month high.

"The missing pieces in the recovery so far are very weak export sales and the lack of job creation. The latter was, however, apparent long before the pandemic struck, with the current sequence of job losses extending back to late-2018."

"Sentiment remained positive in December and improved slightly, although the overall fortunes of the sector are likely to hinge on a rebound in international trade in 2021."

continued...

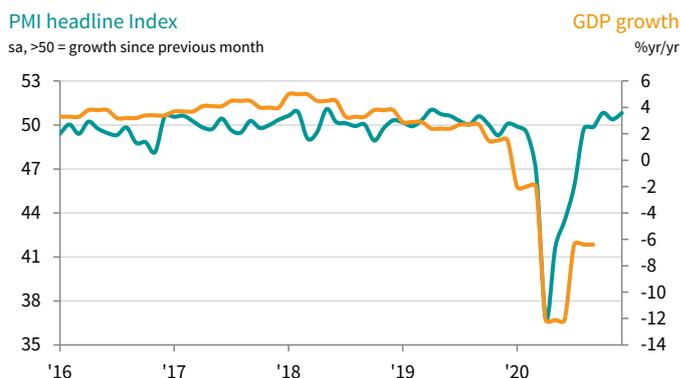
The improved production trend was widely linked by survey respondents to a sustained increase in new orders, which also grew for the fifth month running. The rate of growth eased slightly since November, however, mainly reflecting weak international demand. New export orders fell at the strongest rate since July.

Although total new orders rose further in the final month of 2020, backlogs of work were unchanged. This continued the trend evident throughout the fourth quarter, following the first increase for eight months in September. Manufacturers were also able to build up stocks of finished goods for the third month running.

With new work expanding but little sign of rising pressure on capacity, manufacturers cut staffing for the twenty-seventh consecutive month in December. That said, the rate of job shedding eased since November and was the slowest since January.

December data indicated rising pressure on input prices. With demand for inputs growing for the third month running, suppliers' delivery times lengthened and average purchase prices rose the most since September 2019. Meanwhile, output prices increased for the first time since December 2019.

Looking ahead to 2021, manufacturers were optimistic regarding output over the next 12 months. Sentiment improved slightly in December and was stronger than the long-run survey trend.



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.

December data were collected 4-15 December 2020.

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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