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IHS Markit Thailand Manufacturing PMI™

Thai manufacturing sector stagnates in August

Key findings

Slower rise in new orders, weighed down by falling export sales

Factory employment continues to decline

Both purchasing activity and input stocks rise at slower rates

Thailand's manufacturing sector performance was unchanged during August. Signs of a further softening in demand conditions were indicated by a slower rise in new orders as exports declined. Firms also moderated their purchasing activity and stock-building while employment fell again. Business confidence remained near July's low.

The Thailand *Manufacturing Purchasing Managers' Index™* (PMI™) edged down to 50.0 in August, from 50.3 in July, indicating unchanged manufacturing conditions. This was the first time in six months that an improvement in the health of the sector was not recorded.

The middle of the third quarter saw softening demand conditions, with August data indicating the smallest rise in new business since February. A decline in export sales also contributed to the pull-back in overall sales growth. Subdued demand led to firms raising production only slightly. Output growth was the second weakest in the current sequence of expansion that has been running for ten months.

Softer sales growth continued to weigh on business confidence. While rising slightly from July, the Future Output Index remained among the lowest for nearly a year. Panel members highlighted a slowing economy and declining revenue as key concerns. Optimistic firms generally mentioned new marketing strategies and promotional activity.

Firms also became cautious about business operations. Purchasing activity rose at the weakest pace for six months in August, contributing to a broadly unchanged level of input stock-holdings. Inventories of finished goods continued to fall as firms reportedly sought to improve their financial positions by clearing stocks as well as efforts to maintain lean inventories.

With only a mild rise in purchasing activity, vendors shortened
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:

"The latest IHS Markit PMI data indicated a stagnation of Thailand's manufacturing sector during August, raising concerns that the sector will face greater downward pressure in coming months amid an increasingly difficult external environment."

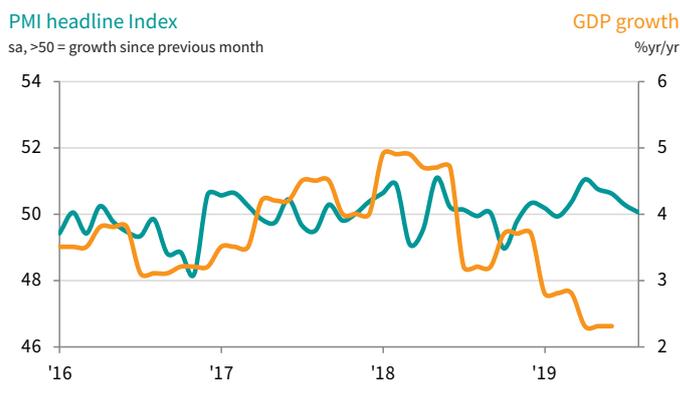
"The survey showed softening demand conditions, with new order growth dropping to its weakest in six months, partly bogged down by falling export sales. Consequently, production volumes rose only marginally."

"Business expectations also remained among the lowest in recent months, with respondents highlighting concerns such as a slowing economic environment and weaker sales growth."

"Any indication of manufacturing weakness signalled by PMI data in the months ahead will therefore see increased calls for greater policy support from the Thai authorities."

delivery times further in August, albeit only marginally. Latest data showed that employment continued to decrease, owing mainly to the non-replacement of leavers. With staff levels down, backlogs increased at a mild pace, in line with marginal sales growth.

Finally, overall cost burdens faced by Thai goods producers rose further in August, with reports of higher prices for materials such as steel, as well as fee hikes from suppliers. However, the rate of inflation was modest and led to only a mild increase in output prices during August.



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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.

August 2019 data were collected 12-21 August 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.