

IHS Markit Thailand Manufacturing PMI™

Thai manufacturing conditions deteriorate in May

Key findings

Renewed decline in health of manufacturing sector

Output and new orders fall alongside purchasing activity

Business confidence deteriorates further

Data were collected 12-20 May 2021.

Operating conditions in Thailand's manufacturing sector declined in May, according to the latest IHS Markit PMI™ data. Production and new business both fell again as demand was weighed down by the COVID-19 pandemic. Firms took a more cautious stance with regards to purchasing and hiring activity whilst also holding a more pessimistic view on output expectations. The one bright spot, however, was a sustained expansion in foreign client demand.

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 fell from 50.7 in April to 47.8 in May, signalling a deterioration in the health of the Thai manufacturing sector. The latest figure indicated a fourth monthly contraction year-to-date.

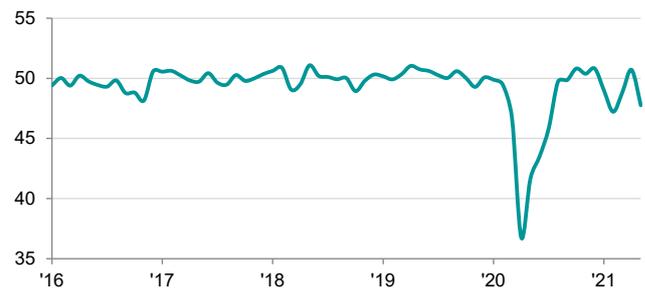
The near 3.0-point drop in the PMI was brought about by declines in three of the five constituent components, including solid declines in both output and new orders. The resurgence in COVID-19 cases which brought about new restrictions dampened domestic client demand and production capacity in May. Greater client hesitancy amid third wave of COVID-19 cases caused a renewed drop in new orders.

International demand for Thai manufactured goods however was sustained for a third successive month of growth in May with the pace of expansion accelerating slightly since April. The rate of increase in new export sales was among the fastest in the survey history, and signalled solid external demand.

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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:

“Manufacturing operating conditions across Thailand deteriorated again in May as the third wave of COVID-19 hit the economy. The headline PMI slipped back below 50.0 to signal the fourth monthly contraction in the first five months of the year. Notably, three of the five components of the manufacturing PMI, including new orders and output fell back into decline.

“International demand however sustained growth in May, signalling domestic economic conditions largely being affected by the COVID-19 resurgence. As such, firms were more cautious in acquiring inputs and raw materials, in addition to being reluctant to acquire staff.

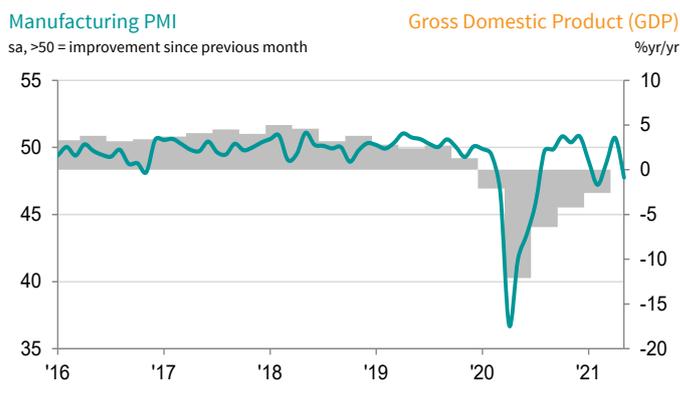
“Overall, manufacturers appear to be holding a more pessimistic view about the next 12 months, although this is with sluggish vaccine progress and it remains to be seen if the stepping up of COVID-19 vaccinations in the nation may alleviate the situation in the coming months.”

Concurrently, the level of outstanding work and inventories of finished goods fell further in May, as pressure on production capacity waned. Firms also noted that post-production inventories declined following a reduced need to build stocks amid weak client demand.

Purchasing activity contracted compared with the previous month in May, in line with the decline of production requirements. Although demand for inputs from Thai manufacturers declined, supply chains remained affected by COVID-19 disruptions, as suppliers' delivery times lengthened for a second consecutive month. That said, the extent to which lead times were extended was only fractional and less marked than in April.

Cost inflationary pressures remained subdued across the Thai manufacturing sector in May, with cost burdens broadly unchanged from the previous survey period. In line with soft price pressures, firms raised their output charges only fractionally.

A further reduction in strain on production capacity across Thailand's manufacturing sector led to hiring activity declining for the thirty-second successive month in May. That said, the rate of contraction was the softest since January 2020. Reflecting weaker demand conditions, firms were generally more pessimistic with their 12-month outlook for output amid the third wave of COVID-19.



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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 12-20 May 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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