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# IHS Markit Thailand Manufacturing PMI™

## Thai manufacturing conditions broadly unchanged at the end of 2019

### Key findings

Negligible rise in production volumes

Total order book growth returns but export sales continue to fall

Business confidence hits lowest since September 2018

The end of the year saw a broad stagnation in Thailand's manufacturing sector, with production volumes virtually unchanged in December. Although new order inflows returned to growth, the rate of expansion was insufficient to lift the level of backlogs while evidence of spare capacity dampened hiring. Firms not only reduced employment but also cut back further on purchasing activity. Business confidence, while positive, sank to the lowest for fifteen months. Inflationary pressures meanwhile remained subdued.

The Thailand Manufacturing *Purchasing Managers' Index™* (PMI™) rose to 50.1 in December, up from 49.3 in November, but nevertheless indicating a broadly stagnant manufacturing sector performance on the month. Moreover, at 49.8, the average PMI for the fourth quarter showed the manufacturing economy slipping into a decline for the first time in 2019.

The latest survey data indicated a tentative improvement of demand conditions. Having fallen in November, total new orders rose in December, albeit marginally. Client demand was primarily driven by the domestic market as external orders continued to shrink. New export sales fell for a second month running during December.

Despite the gain in overall sales, production volumes were largely unchanged from November. Furthermore, backlogs of work also failed to rise. On the contrary, the level of incomplete workloads declined for a second straight month in December. This reflected a lack of pressure on operating capacity which, in turn, weighed on hiring. Employment declined for a fifteenth straight month.

Not only did firms continue to reduce staff headcounts, they also scaled back purchasing activity further at the end of the year. Input purchases fell for a third consecutive month in December.

*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 that manufacturing conditions across Thailand were broadly stagnant at the end of 2019. Together with December data, recent PMI surveys suggest that the Thai manufacturing sector has fallen into a decline during the fourth quarter."*

*"While the return of growth of new sales in December was encouraging, the rate of expansion was insufficient to lift production volumes, which were virtually unchanged from November. Furthermore, backlogs of work continued to fall, suggesting that output growth is unlikely to materialise in the coming months, unless demand revs up dramatically."*

*"As a result, growth momentum going into the new year is subdued. Indeed, business confidence about output in the year ahead fell to the lowest since September 2018. Firms were concerned about weak sales and falling profits, with the subdued sentiment also reflected in a further reduction in both hiring and purchasing activity."*

Despite lower buying levels, stocks of inputs accumulated for a second straight month, albeit at a marginal rate. Meanwhile, inventories of finished goods rose fractionally for the first time in eight months.

Longer-term prospects were also subdued. Business expectations about output in a year's time, while mildly positive, fell to its lowest since September 2018. Firms that anticipated lower output in the year ahead commented on weaker sales and lower profits. Optimism was usually connected to expectations of improving economic conditions and new product models.

Finally, on the price front, the survey data brought signs of falling price pressures. Average selling prices rose at the slowest pace for nearly a year while input costs fell for the first time since February. Reduced costs were linked to supplier discounts and lower energy prices, according to anecdotal evidence.

## PMI headline Index

sa, >50 = growth since previous month

## GDP growth

%yr/yr



Sources: IHS Markit, NESDB.

## Contact

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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 2019 data were collected 5-13 December 2019.

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. To learn more go to [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).