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IHS Markit Thailand Manufacturing PMI™

Thai manufacturing conditions stagnate in October

Key findings

Falls in employment and input stocks weigh on headline PMI

Growth in output and new orders moderate

Business confidence sinks to a 13-month low

Thailand's manufacturing conditions were unchanged in October compared to the previous month. Growth in both production and new orders eased during the month, while employment fell further. Business sentiment dropped to the lowest for just over a year. Firms cut back on purchasing activity and tapped into current inventories to meet demand, as reflected by falls in stocks of both input and finished goods. Meanwhile, inflationary pressures moderated, with input costs and output charges increasing only marginally.

The Thailand Manufacturing *Purchasing Managers' Index™* (PMI™) fell from 50.6 in September to 50.0 in October, indicating no change to business conditions at the start of the fourth quarter.

The survey continued to signal subdued demand conditions in the Thai manufacturing sector. Growth in new order inflows moderated to only a marginal rate of increase, in spite of further export growth. Consequently, production volumes rose at the weakest pace for a year.

Despite an ongoing decline in employment, backlogs of work were unchanged in October, ending a five-month period of accumulation. Staff numbers fell for a thirteenth straight month amid reports of layoffs and subdued sales growth.

Business confidence, while still positive, fell to the lowest level since September last year. Pessimistic firms cited shrinking profit margins, reduced consumer spending and greater competition as reasons to be worried about the future.

Purchasing activity shrank for the first time in eight months during October, which contributed to a decline in stocks of purchases. Some respondents commented on cost-cutting measures and weaker sales growth as factors behind lower stock-holdings.

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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:

"Manufacturing conditions across Thailand were unchanged at the start of the fourth quarter, according to the latest IHS Markit PMI data. Furthermore, the survey brought signs that the coming months would be challenging for Thai goods producers in an environment of softening global trade and a stronger baht."

"Inflows of new orders rose at only a marginal rate in October while backlogs of work saw no changes from the previous month, boding ill for future production volumes. Employment dropped for a thirteenth straight month amid reports of layoffs."

"Business confidence fell to the lowest level for just over a year, with comments of lower consumer spending, falling margins and higher competition as reasons to be pessimistic. Consequently, firms cut back on purchasing activity and drew down inventories."

Meanwhile, inventories of finished goods fell for a sixth month in a row. Anecdotal evidence revealed that efforts to improve cash-flow led firms to clear stocks through promotional activities. Other firms strived to maintain a lean inventory amid subdued sales volumes.

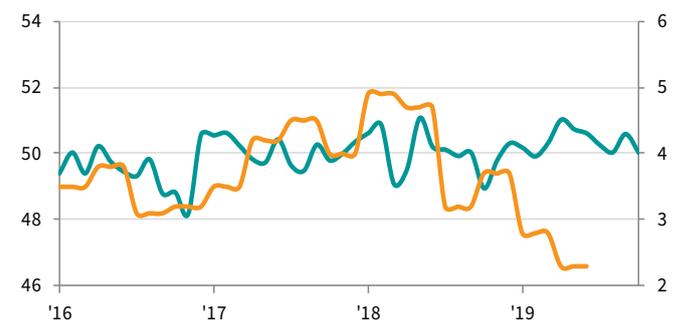
Inflationary pressures moderated during October. Input costs rose at the slowest pace for five months, accompanied by a similarly marginal rise in selling prices. Inflation largely reflected increased prices for some raw materials.

PMI headline Index

sa, >50 = growth since previous month

GDP growth

%yr/yr



Sources: IHS Markit, NESDB.

Contact

Bernard Aw
Principal Economist
IHS Markit
T: +65 6922 4226
bernard.aw@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

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.

October 2019 data were collected 11-23 October 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.