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IHS Markit Thailand Manufacturing PMI™

Thai manufacturing conditions stagnate at start of 2020

Key findings

Subdued rise in both production volumes and new order books

Purchasing activity broadly unchanged while input stocks fall

Muted business confidence about year-ahead outlook

Thailand's manufacturing sector conditions were broadly stagnant at the start of the year as output and new orders rose negligibly during January. Consequently, firms remained cautious about purchasing activity, which was largely unchanged, in turn contributing to a fall in input stocks. Employment decreased further while business confidence fell to the lowest for just over one-and-a-half years. Meanwhile, costs and output charges both declined in the month.

The Thailand Manufacturing Purchasing Managers' Index™ (PMI™) fell to 49.9 in January, down from 50.1 in December, indicating a broadly stagnant manufacturing sector performance.

Demand for Thai manufactured goods remained subdued at the start of the year. While showing growth, new business inflows rose only marginally despite a rebound in overseas sales. New export orders returned to growth after two months of decline. Challenging economic conditions were a key reason cited by panellists for weak sales growth which, in turn, led to Thai manufacturers raising production volumes only fractionally.

The muted operating environment saw business confidence fall to the lowest level since June 2018. Lower confidence was often linked by firms to falling profits and a softening economic climate.

While there were tentative signs of operating capacity pressures, with the backlogs of work rising for the first time in four months, the increase was marginal.

Thai manufacturing businesses remained cautious about investing in staff headcounts and inventories. Employment fell for a sixteenth straight month while purchasing activity was broadly unchanged on the month, which contributed to a decline in input inventories for the first time since October. Likewise, stocks of finished goods fell in January, following a

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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:

"The start of the year brought little cheer to Thailand's manufacturing sector as the latest PMI data pointed to a broad stagnation in business conditions, thereby extending the subdued performance from the end of 2019 into 2020.

"The survey indicated marginal growth in production and new orders, alongside a continued decline in factory employment. Firms remained cautious, keeping their purchasing activity largely unchanged, while drawing down their inventories of inputs and finished goods. Amid the weak business environment, price pressures fell at the beginning of the first quarter.

"Business confidence also dropped to the lowest for just over one-and-a-half years in January, with concerns linked to falling profits and deteriorating economic conditions, all of which suggest that the months ahead will remain challenging for the Thai manufacturing sector."

short-lived rise at the end of last year.

With subdued demand for inputs, vendors improved on their performance at the start of the year, with delivery times shortening at the fastest rate since June last year.

Finally, on the price front, the survey data showed falling price pressures amid stagnant manufacturing conditions. Average selling prices fell for the first time in a year while input costs declined further during January.



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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.

January 2020 data were collected 13-23 January 2020.

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.