

# Nikkei Thailand Manufacturing PMI™

## PMI signals improvement in Thai manufacturing conditions

### Key points:

- Output rises further while new order intakes stabilise
- Exports expand again
- Cost deflation persists

Data collected December 5-13

Thailand's manufacturing sector ended the year on a positive note, showing an improvement for the first time in five months during December. The headline PMI was supported by further output growth and a stabilisation in new order intakes, plus higher input stocks. Export sales also grew. While employment fell further, firms scaled up purchasing activity in anticipation of higher sales into 2019. Business confidence remained positive and backlogs rose.

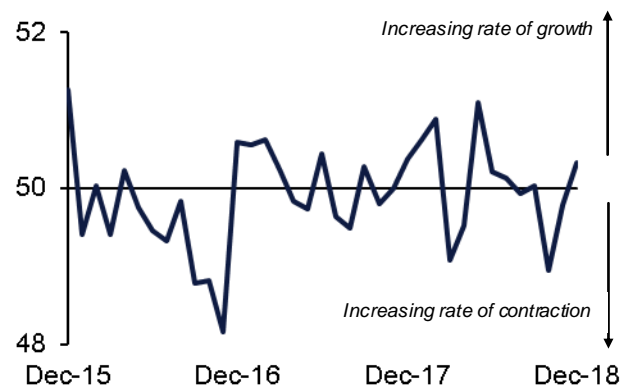
Meanwhile, the factory sector reported signs of deflationary pressures, with lower prices for some raw materials weighing on overall input prices, while output charges remained steady.

The seasonally adjusted **Nikkei Thailand Manufacturing Purchasing Managers' Index™ (PMI™)** rose from 49.8 in November to 50.3 in December, marking the first improvement in the health of the sector since July. However, the 2018 average PMI reading signalled unchanged manufacturing conditions in Thailand, which followed a largely lacklustre performance in 2017.

The headline PMI provides a snapshot of the manufacturing performance in the country and derives from questions on output, new orders, employment, inventories and delivery times.

The latest survey brought signs of a stabilisation in demand conditions, with firms also expecting manufacturing output to improve next year. After two months of decline, inflows of new business were broadly unchanged in December, supported by export order growth. Thai manufacturers remained generally positive about output in the year ahead, as indicated by the Future Output Index maintaining above the 50.0 neutral threshold. Reasons for optimism included higher sales forecasts and promotional activity.

Nikkei Thailand Manufacturing PMI



Sources: Nikkei, IHS Markit

Thai goods producers scaled up production for a second straight month in December as part of efforts to clear higher backlogs. Survey data indicated the strongest rate of output growth for seven months. Higher output, in turn, encouraged manufacturers to raise purchasing activity.

Greater input buying partially contributed to the first accumulation in input inventories since June. However, stocks of finished goods fell slightly, with firms attributing the depletion to efforts to improve cash flows by clearing inventories.

While the level of unfinished work rose again, the rate of increase remained marginal, thereby putting little pressure on operating capacities. Firms reported another decline in employment.

Despite greater appetite for raw materials and semi-manufactured goods, suppliers' capacities failed to come under strain. On the contrary, vendor performance improved for a third month in a row.

With suppliers facing few demand pressures, input prices fell for a second month running, albeit marginal. Lower costs encouraged firms to leave output charges unchanged.

## Comment:

Commenting on the Thai Manufacturing PMI survey data, **Bernard Aw**, Principal Economist at IHS Markit, which compiles the survey, said:

*“Thailand’s manufacturing sector ended the year on a positive note, with the latest Nikkei PMI surveys indicating the first improvement in business conditions since July.*

*“While the sector ended the fourth quarter with the weakest quarterly performance in two years, other survey indicators pointed to a brighter outlook in 2019. Demand conditions appeared to have stabilised and backlogs rose further, while firms stepped up input purchases in anticipation of higher sales over the next year. Business confidence also remained positive. Notably, export sales grew further in December amid weaker global trade conditions.*

*“Further improvements signalled by the PMI survey in the coming months will lend support to the central bank’s desire to create some policy cushion by raising interest rates.”*

-Ends-

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**Notes to Editors:**

The Nikkei Thailand Manufacturing *PMI*<sup>™</sup> is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by GDP and company workforce size. The manufacturing sector is divided into the following 8 broad categories: Basic Metals, Chemicals & Plastics, Electrical & Optical, Food & Drink, Mechanical Engineering, Textiles & Clothing, Timber & Paper and Transport.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Nikkei Thailand Manufacturing *PMI*<sup>™</sup> is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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