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IHS Markit Thailand Manufacturing PMI™

Thai factory output falls further in May as exports register record decline

Key findings

Production volumes down sharply

New orders fall again, led by a record decline in exports

Business sentiment remains deeply negative

Data were collected 12-20 May 2020

The latest PMI data signalled a further sharp deterioration of Thai manufacturing conditions during May as a result of measures to contain the COVID-19 pandemic. Output fell further after April's slump, and accompanied by a further sharp decline in new orders, linked to a record fall in exports. Business expectations remained downbeat as the uncertainty about the future weighed heavily on sentiment.

The Thailand Manufacturing *Purchasing Managers' Index™* (PMI™) came in at 41.6 in May, up from 36.8 in April, but nonetheless signalling a steep deterioration in the performance of the sector. In fact, the latest reading was the second lowest since the survey started four-and-a-half years ago.

The impact of domestic emergency measures to control the spread of COVID-19 on the manufacturing sector remained severe during May. Production volumes continued to fall sharply, though the rate of contraction eased from April. Firms pointed to a poor sales trend as a key reason for lower output, while some firms also highlighted curbs on operations due to social distancing rules.

The global economic downturn severely impacted demand for Thai manufactured goods. Total new sales declined steeply, although at a slower pace than in April. Sales were led downwards by a record decline in foreign orders. Panellists also noted that widespread business closures contributed to reduced sales.

Meanwhile, firms worried about excess capacity sought to contain costs by cutting staff numbers in May. While the rate of decrease slowed from April's record, it was the second fastest in the series history and marked overall.

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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:

"Thailand's manufacturing sector remained mired in a sharp downturn during May amid a slump in exports, setting the scene for the economy to slip further into recession."

"Measures taken domestically and globally to control the COVID-19 pandemic continued to severely affect Thailand's goods production, for which demand had deteriorated markedly. Overall new orders fell sharply, dragged down by a record drop in export sales."

"Facing falling revenue, firms sought to contain costs by cutting jobs and inventories. Job shedding was again reported amid evidence of layoffs, while stocks were depleted."

"The global downturn will make it challenging for any recovery in the Thai manufacturing sector. Indeed, business expectations about the year-ahead outlook remained deeply negative. Firms were predominantly concerned about the uncertainty over the duration of the coronavirus pandemic and its impact on economic activity."

Manufacturers continued to display a reluctance in holding inventories, with stocks of inputs and finished goods both falling further in May. Firms also cut back on purchasing activity in the face of falling sales and reduced operational requirements.

On the inflation front, price levels were broadly stable, with little change to both input costs and selling prices seen during May when compared to the previous month.

Finally, business expectations remained deep inside negative territory during May. The Future Output Index, a measure of confidence, remained well below the neutral 50.0 level, indicating a considerable proportion of firms anticipate lower output in the coming 12 months. According to panel comments, concerns over the longer-term impact of the COVID-19 pandemic on manufacturing activity remained a dominant reason behind negative sentiment.



Sources: IHS Markit, NESDB.

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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.

May 2020 data were collected 12-20 May 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.
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